FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,460 Wednesday February10 1988 D 8523 A

Ireland's educated youth seek careers elsewhere, Page 22

World News

Washington rejects Panama withdrawal

The White House flatly rejected a demand by Panamanian military leader Manuel Noriega that the US end its military presence in Panama, saying that under the Panama canal treaties it had "every right to be there."

Noriega, infuriated by his indictment in Florida last week on charges of drug smuggling and racketeering, had called for the removal of the US Southern Command, Washington's regional military headquarters, which controls 10,000 US military personnel in Panama. Overthrow urged, Page 4

Waldheim 'forgery'
A telegram published in the West German news magazine Der Spiegel, implicating Austrian President Kurt Waldheim in Nazi war crimes, might be a forgery, West German prosecutors said. Austrian leaders split, Page 22

Bonn summit warning
West German officials warned that failure of the EC summit in Brussels to resolve the Community's agricultural crisis would represent a severe setback to efforts to forge a genuine internal market by 1992. Page 2

Palestinian voyage
A ship carrying Palestinians, journalists and sympathisers with the Palestinian cause was due to leave Greece on a symbolic voyage to Israel. Page 2

Farmers block border
About 2,000 West German farmers blocked a German-Dutch border crossing near Moenchengladbach with 400 tractors, to protest against EC agricultural policies.

Italian finance vote
Rebel Italian Government deputies voted with the opposition to reject financing for the Prime Minister's own office at the start of the debate on the finance bill.

Gulf air battle
Iranian aircraft shot down three Iraqi jets and chased off four others in a dogfight over the Gulf, Tehran Radio said.

Trinidad feud erupts
A feud erupted in the leadership of the Trinidad and Tobago Government with Prime Minister Ray Robinson sacking his deputy and two other cabinet ministers. Page 4

Star Wars 'success'
The US claimed success for a sophisticated Star Wars experiment aimed at proving the controversial missile defence plan could work. Page 4

Brazil strike bites
Three Brazilian iron ore mines were at a standstill and state authorities warned that oil supplies were critically low because of a 10-day-old strike by railway workers. Page 4

Fusion reactor plan
Japan was expected to accept formally detailed plans for the EC, US, Soviet Union and Japan to collaborate in designing a thermonuclear fusion reactor, given the go-ahead by the Community's 12 member states. Page 2

Mahathir calls on king
Embattled Malaysian Prime Minister Mahathir Mohamad flew to Johore Baru for urgent consultations with Sultan Mahmood Iskandar, the king, over the crisis afflicting the country's ruling Malay party. Page 3

Philippines killings
Suspected communist assassins shot dead two former police officers near a US air base in separate attacks in the Philippines. World Bank aid, Page 3

Kurdish rebels killed
Turkish security forces killed five Kurdish rebels and captured two near Kozluk, south-east Turkey.

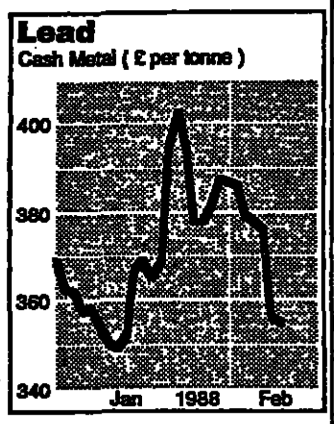
Business Summary

American Standard rejects bid from B&D

AMERICAN STANDARD, US building products group, rejected a $65 a share takeover offer from Black and Decker, international power tools manufacturer. Page 23

ARGENTINA is to sell up to 40 per cent of Aerolineas Argentinas, state-owned airline, to SAS, Scandinavian Airline Systems. Page 23

LEAD prices continued to fall on the London Metal Exchange, with the market overshadowed by US producer price cuts and seasonal factors. Cash metal lost a further £2 a tonne to close at £354.50. Commodities, Page 32



WALL STREET: The Dow Jones industrial average closed up 18.74 at 1,914.46. Page 44

TOKYO: Overnight falls in New York and London kept institutional investors on the sidelines. The Nikkei average fell 109.33 to 23,662.27. Page 44

LONDON: FTSE-100 index rose 12.7 to 1,707.2. Page 40

DOLLAR closed in New York at DM1.6945, Y128.85, SFr1.3870, FFr5.7195. It closed in London at DM1.7000 (DM1.6950); Y129.15 (Y128.65); SFr1.3925 (SFr1.3855); FFr5.7350 (FFr5.7225). Page 33

STERLING closed in New York at 1.7525. It closed in London at $1.7465 ($1.7540); DM2.9700 (DM2.9725); Y225.50 (Y225.75); SFr2.4325 (SFr2.4300); FFr10.0175 (FFr10.0375). Page 33

SALOMON, large Wall Street brokerage and investment house, lost $74m in the fourth quarter of 1987. Page 23

ERICSSON, Swedish telecommunications group, reported a 18.6 per cent rise in profits to SKr1.08bn ($178m) for 1987, against SKr911m the previous year. Page 25

VARITY, Toronto-based farm equipment and industrial engine maker, may set aside reserves relating to problems at an associate company, Massey Combines. Page 23

EVERGREEN MARINE, Taiwan affiliate of Evergreen International, the world's largest container carrier in terms of tonnage, will soon issue 200m new shares. Page 24

PEARSON, publishing, banking and industrial group which owns the Financial Times, is setting up a £30m fund to invest in new developments in the media.

GOTTHARD BANK, Lugano-based Swiss bank controlled by Sumitomo Bank of Japan, proposes to raise its ordinary shareholders' dividend from 16 per cent to 18 per cent. Page 25

WESTPAC BANKING of Australia raised its offer by A$41m (US$29.1m) for the minority holdings in Australian Guarantee Corporation (AGC), its finance offshoot. Page 24

KERRY PACKER, Australian businessman, sold his 20 per cent shareholding in Colly Farms Cotton after losing a takeover battle for the group to Anglo American Agriculture of the UK. Page 24

LAI SUN GARMENTS (International), Hong Kong jeans maker controlled by the family of Mr Lim Por Yen, announced a corporate reorganisation that will include share issues to raise HK$600m (US$76.9m). Page 24

Triumphant Dole casts himself in role of underdog

Dole: taking nothing for granted

BY STEWART FLEMING AND LIONEL BARBER IN DES MOINES, IOWA

SENATOR ROBERT DOLE, who swept to a convincing victory in the first major test of the relative strengths of the Republican Party's Presidential nomination in Iowa on Monday night, attempted yesterday to lower expectations for the next round of the fight.

Before leaving Des Moines, where he won 37 per cent of the vote in the Republican caucuses and saw his chief rival, Vice President George Bush, pushed into a humiliating third place by Mr Pat Robertson, the former television evangelist, Mr Dole cast himself as underdog in the New Hampshire Presidential primary next week. "I am not taking anything for granted," he said.

Referring to opinion polls showing Mr Bush the leader in New Hampshire, Mr Dole said: "Let's face it, I'm behind. I'm not the front-runner in New Hampshire."

Although the Iowa caucus results have provided an initial test of the strengths and weaknesses of the 13 candidates bidding for the presidential elections in November, the New Hampshire primaries on Tuesday are now pivotal for those candidates who have not winnowed out in Iowa.

In the Democratic caucuses in Iowa, Rep Richard Gephardt's surge in the polls in the past few weeks as a result of a skilful advertising blitz and a sharper, populist message with protectionist overtones, propelled him to a 28 per cent to 24 per cent victory over his Midwestern rival, Senator Paul Simon of Illinois.

But Governor Michael Dukakis of Massachsetts came in a strong third with 21 per cent of the vote. Governor Dukakis is already powerfully placed in New Hampshire which is adjacent to his home state and the polls show him with command of the loyalty of around 39 per cent of the likely Democratic primary voters.

Before the Iowa caucus results it had been assumed that foormer Senator Gary Hart would be a significant challenger to the Governor. But Mr Hart's dreadful showing in Iowa, he got only around 1 per cent of the vote, strongly suggests that voters are reacting very negatively to his controversial candidacy.

Mr Robertson, whose victory over Mr Bush in his first campaign for public office represents one of the most remarkable Presidential campaign upsets in modern times, yesterday lashed out at Mr Bush after claiming "victory" in Iowa.

In a bid to to drive home his advantage and establish himself, rather than his Conservative rival Rep Jack Kemp, as Mr Bush's main challenger, he told a television interviewer that the Vice President had been protected by the shadow of President Ronald Reagan's popularity. "Once that shadow

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De Benedetti secures state go-ahead for Société Générale bid

BY TIM DICKSON IN BRUSSELS

MR CARLO DE BENEDETTI, the Italian businessman, received a twin boost to his bid to take control of Société Générale de Belgique yesterday when the country's Banking Commission gave its formal blessing to his partial share offer for the company and a Brussels court again blocked the board's poison pill defence.

In another development late last night Mr De Benedetti appeared to be showing a fresh willingness to enter into a shareholder alliance with Mr André Leysen, the Flemish businessman who claims to head a group of investors with more than 27 per cent of SGB.

After a meeting between the two men in Brussels yesterday, Mr De Benedetti said: "I have met Mr Leysen this evening in Brussels. We have had a very open talk. I have indicated to Mr Leysen that on condition that the principles of an efficient management are established, I am prepared to work towards an agreement between shareholders based on equal holdings between the Belgian group and myself."

The position of Mr Leysen, who has emphasised that he does not want Mr De Benedetti to have ultimate control, was not immediately clear.

SGB's poison pill defence was to have involved increasing SGB's share capital by over 40 per cent and placing the new shares in friendly hands.

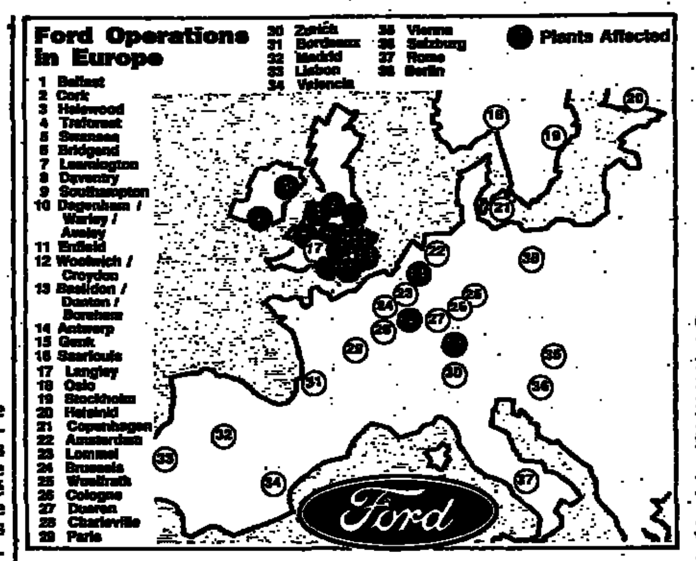
In an eagerly awaited judgment yesterday, however, Mr Jean-Louis Duplat, the President of the Brussels commercial tribunal, upheld his previous ruling that the new shares should not be issued during the bid and that the voting rights attaching to them would for the moment be suspended.

In another significant move apparently in response to a request from Cerus, Mr De Benedetti's Paris-based financial holding company which is spearheading his assault, the court also declared that Société Générale would currently be prevented from any asset sales "in excess of BFr100m"($2.8m).

Last night a spokesman for Mr De Benedetti said the offer for 15 per cent of SGB mounted by Cerus would proceed next Monday at the price already indicated this week of BFr4000 per share. This compares with last night's closing price for SGB of BFr4260.

Observers, however, last night stressed that the battle was not yet over.

Compagnie Financière de Suez, the recently privatised French financial group says it has 10 per cent of SGB on its own account but is thought to be leading a bloc friendly to the SGB management totalling roughly 20 per cent in all.



Ford employs about 110,000 people in 15 separate national companies in Europe. Its products are sold through 2,520 main dealers and 1,460 sub-dealers. The group came to Europe in 1903, and began manufacturing there in 1911. It has 6.2m square metres of manufacturing, warehousing and office space in Europe – some 3.5 times bigger than the Principality of Monaco – and builds 1.5m vehicles a year

Ford unions to seek European strategy

BY CHARLES LEADBEATER IN LONDON AND HAIG SIMONIAN IN FRANKFURT

FORD UNION leaders from West Germany, Belgium, Spain and France are expected to meet their UK counterparts in London, probably next week, to co-ordinate strategy over the strike which has halted all the company's UK output.

The meeting is being arranged under the auspices of the Geneva-based International Metalworkers Federation.

The strike over pay by Ford's 32,500 UK manual workers will have increasingly serious effects on the company's Continental plants, British union leaders predicted yesterday.

It is understood that leaders of IG Metall, the key union for West German Ford workers, have said they will take a firm line in the dispute and will try to prevent the company from making special provisions to minimise the effects of the UK strike. In contrast to earlier disputes, IG Metall leaders have said they will not agree to increase overtime working to boost production and they will try to prevent the company replacing UK-supplied components with supplies from other sources.

About 100 workers at Ford's heavy tractor plant at Antwerp, Belgium, which relies on components from the company's main European tractor plant at Basildon, Essex, were laid off yesterday.

They joined 2,500 workers laid off from the Transit van line at the Genk plant in Belgium, while production at the company's Saarlouis plant on West Germany's western border with France was cut by 350 vehicles a day to 1,000 after quality training programmes were brought forward, and the working day was reduced by 90 minutes. All these plants rely on UK-produced components.

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Strike bites, Page 10

European sales lead GM profits recovery

By Anatole Kaletsky in New York

GENERAL MOTORS, the world's biggest vehicle manufacturer, yesterday announced its first advance in annual profits since 1983, a gain due largely to a $1.5bn turnround in its performance in Europe.

The European operations, which include the Opel and Vauxhall marques, made a $1.26bn net profit last year. This was their first annual profit for five years, and the first time in almost a decade that Europe has made a significant contribution to GM's worldwide earnings.

The company's total net income increased last year to $3.55bn or $10.06 a share from $2.94bn or $8.21 a share in 1986, a result consistent with the steady gains GM announced in its recent quarterly results.

In the fourth quarter, GM earned $836m or $2.36 a share compared with $382m or 97 cents a share in the last quarter of 1986, when profits hit a nadir as a result of $273m in net restructuring charges. The quarterly earnings were marginally above Wall Street expectations.

However, it is the geographical breakdown of the figures, which GM makes available only on an annual basis, that reveals a striking disparity between the profits generated by the American and overseas car operations.

In the US and Canada, GM's net profits for the year were $1.74bn, down sharply from the $3.43bn earned in 1986. They would probably have shown a net loss without the GM Hughes Electronics and Electronic Data Systems subsidiaries, which earned $850m between them, and the GMAC financing business, which earned $1.46bn.

GM's market share in the US is estimated to have fallen to just over 35 per cent in 1987.

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S Africa under financial pressure, says new study

BY CHRIS SHERWELL IN SYDNEY

SOUTH AFRICA faces serious problems rebuilding its relationships with the international financial community in the absence of fundamental political reform, according to the preliminary findings of a special British Commonwealth study.

The study remains confidential, but some details have surfaced in the past week. When finished, it promises to make a major contribution to the controversial and generally inconclusive international debate on the efficacy of economic sanctions against South Africa.

Its chief finding so far is that South Africa's suspension of capital repayments to creditors in 1985 and its subsequent vexed rescheduling negotiations have already caused potentially irreparable damage.

It argues that popular pressure on foreign banks, companies and local and national governments to cut ties with South Africa is building at such a rate that the country cannot secure the capital or the economic development it needs to prevent mass unemployment and dislocation.

The study implies that, for many key countries, financial sanctions are effectively in existence already through the private sector. In the US this is supported through legislation and, in Australia, Canada and Japan by official guidance. The UK, by contrast, has neither.

With further effort by supporters of sanctions, the study suggests, they will spread to countries such as France, where the attitude is more relaxed, and West Germany, where the banks have yet to take a firm position. The stand of certain newly industrialising states is still to be studied.

The study's clear conclusion is that South Africa's ruptured ties with foreign banks will be far more difficult to repair than in comparable periods after the Sharpeville shootings in 1960, and the Soweto uprising in 1976.

More pointedly, Pretoria is likely to find its situation worsening as it is deprived of access to enough resources on suitable terms and foreign bankers, under pressure at home, insist that its problems be resolved at their roots.

The study of South Africa's debt problems has been undertaken by the Australian Government.

The report will also examine the impact of recent private sector capital outflows from South Africa and Pretoria's continued membership of key international financial institutions such as the International Monetary Fund and World Bank.

Hopes rise for Soviet military withdrawal from Afghanistan

BY JOHN ELLIOTT IN ISLAMABAD AND CHARLES HODGSON IN MOSCOW

THE Geneva peace talks to try to end the Soviet occupation of Afghanistan will resume on March 2 amid increasing optimism that an agreement can now be reached quickly. The Soviet Union said yesterday the chances of an accord had never been so good.

The date for the resumption of the talks between Pakistan and Afghanistan was announced yesterday by Mr Diego Cordovez, the UN mediator, after nearly three weeks of shuttling between the Afghan capital of Kabul, and Islamabad, the capital of Pakistan.

"I am confident that we have prepared for Geneva well," he said before leaving Islamabad.

Mr Anatoly Kovalyov, the Soviet Union's first deputy minister of foreign affairs, said in Moscow that the offer by Mr Mikhail Gorbachev, the Soviet leader, to begin withdrawing Soviet troops from Afghanistan on or before May 15 if an agreement was signed in Geneva was a "unique chance."

He confirmed that the Soviet pullout would not be conditional on the nature of an interim coalition government in Kabul, which was a "purely Afghan affair."

Mr Gorbachev said on Monday that the pullout would begin 60 days after the accord was signed and could be completed within 10 months. Pakistan has been demanding that all the troops should be out of Afghanistan eight months after the withdrawal begins. However, Mr Zain Noorani, Pakistan's Minister of State for Foreign Affairs, said Mr Gorbachev's offer was "close to an acceptable time frame."

Plans are also believed to be well advanced for a UN monitoring force of about 10 officers to oversee a Soviet troop withdrawal. But there does not appear to be any plan for a full armed peace-keeping force.

Mr. Yuli Vorontsov, Soviet Deputy Foreign Minister, today begins three days of talks in Islamabad with the Pakistani Government. Western diplomats expect him to put pressure on Pakistan to reach an agreement in Geneva.

It unclear who will negotiate

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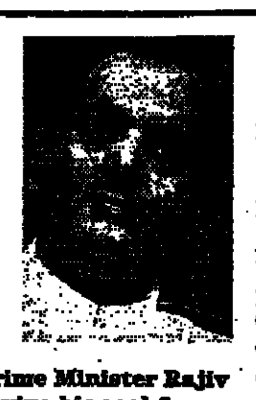

Economists say Prime Minister Rajiv Gandhi must revive his zeal for change, Page 3

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France urges progress on EC budget deadlock

BY GEORGE GRAHAM IN PARIS

FRANCE will press its European partners hard to achieve a solution to the European Community budget stalemate at this week's summit meeting in Brussels.

Mr Jacques Chirac, the French Prime Minister, yesterday said that progress on the budget question was politically desirable, as a necessary step forward towards the construction of Europe, but also urgently needed to prevent payment cuts which would hit French farmers.

"If we fail this time and carry our decision forward to the summit at Hanover in June, we will have our backs to the wall," he said.

By the summer the EC would face a budget shortfall of some Ecu 6bn ($4.1bn) Mr Chirac said, and the Commission would have no choice but to stop payments on a certain number of programmes, essentially agricultural.

"I think we will be in a weaker position to defend the interests of our peasant farmers if we do not reach a conclusion in Brussels," the French Prime Minister said.

Mr Chirac said that the meeting must first address the budget question and must not make the mistake of the last EC summit in Copenhagen of getting bogged down in the reform of Community agricultural policy.

But he said that France was not prepared to give ground on the reform agreement reached subsequently by 10 of the EC's agricultural ministers, against the opposition of the UK and the strong reservations of the Netherlands.

The French Government is less adamant in its position on the expansion of the regional structural adjustment funds, where it joins the UK in arguing for an increase of only 50 per cent, compared with the doubling proposed by the Commission.

Mr Chirac said that even the limited increase in these funds proposed by France and Britain would double the resources available for Corsica and the overseas departments, which are the most disadvantaged regions of France.

But he said he expected a compromise proposal put forward by West Germany, which is currently president of the EC council, to lead to an increase substantially above 50 per cent in the structural funds.

On the other major issue of the Brussels summit, the question of continuing the system of repayments to the UK to compensate for the imbalance in its contribution to the EC budget, the French Government is expected to press for a phasing out of the compensation.

Moscow hearings on INF televised

By Charles Hodgson in Moscow

THE Soviet Union yesterday televised live the preliminary hearings of parliament on ratification of the US-Soviet treaty eliminating intermediate-range nuclear weapons.

In a move that was superficially, and perhaps intentionally, reminiscent of the US Congress, legislators decided to set up a special joint committee, drawn from the foreign relations committees of parliament's two houses, to study the accord.

The open hearings are an unusual departure from precedent in ratification procedures by the Soviet parliament, which has traditionally rubber-stamped treaties approved by the party leadership. They are said to have been ordered by Mr Mikhail Gorbachev, the Soviet leader, in response to public concern about the implications of the treaty, signed in Washington in December.

They also reflect Mr Gorbachev's desire to be seen to "democratise" the workings of Soviet government.

Only those sessions dealing with classified military information will be held in secret.

One senior Soviet parliamentarian said recently that, while he did not doubt that the treaty would be ratified, the Supreme Soviet would watch the progress of ratification in the US closely and he did not rule out Soviet changes in response to amendments proposed by Congress.

Mr Yegor Ligachev, the Kremlin number two, told the hearings that in its review of the treaty, the joint committee should "consider above all how it affects our defence". Mr Ligachev, who chairs the foreign relations committee of the Soviet of the Union, one of the chambers of the Supreme Soviet, said that the Kremlin had received letters from citizens concerned that the Soviet Union was dismantling many more missiles than the US and about the extent and reliability of verification.

Under the treaty, the Soviet Union is to scrap 1,752 medium-range (500-5,000km) land-based missiles, while the US dismantles 859.

But Mr Eduard Shevardnadze, the Soviet Foreign Minister, said that the imbalance was justified by the fact that the Soviet Union had deployed more INF missiles than the US. "Elementary mathematics does not always apply in working out the military balance," he said.

Gen Dmitri Yazov, the Soviet Defence Minister, assured the hearings that if the treaty went into force "the Soviet Union's defence capability would be at a level to protect the peaceful work of the Soviet people securely".

Gorbachev warns on development of new weapons by Nato forces

NATO EFFORTS to develop weapons to supplant nuclear missiles now banned by the superpower treaty would undermine the pact and could have grave consequences, Mr Mikhail Gorbachev, the Soviet leader, said yesterday, AP reports from Moscow.

However, he said the Soviets recognised that some European states have a "deep-rooted" fear of them that could cause a reluctance to give up nuclear arms.

Mr Gorbachev's remarks, reported by the Tass news agency, were made in a meeting with Mr Lothar Spaeth, minister-president of the West German state of Baden-Württemberg, who is on an official visit to Moscow.

Two US officials in West Germany at the weekend called for improvements in Nato short-range nuclear missiles and conventional forces.

Mr Frank Carlucci, the US Defence Secretary and Senator Sam Nunn, a Georgia Democrat, said the improvements were needed because of the treaty banning superpower intermediate-range nuclear missiles in Europe, which Mr Gorbachev and President Ronald Reagan signed on December 8.

In his meeting with Mr Spaeth, Mr Gorbachev said "the attempts to undermine the INF (intermediate-range nuclear forces) Treaty with the help of 'compensation' can lead to a very grave political mistake."

Gen Dmitri Yazov, the Soviet Defence Minister said in an article in Pravda on Monay that the Soviet Union wanted to reduce forces in Europe to a minimum and remove the most dangerous offensive weapons.

Mr Gorbachev said an independent role for Europe was "unthinkable" without West Germany and an improvement in its relations with the Soviet Union. But he added that obstacles remained to better relations.

"We are also taking into account the fact that Western Europe is not ready so far to understand us the way we really are. People there continue to be afraid of the Soviet Union. This is deep-rooted," he said.

Fear of the Soviets, Mr Gorbachev said, "affects the evaluation of the consequences for Europe of the INF Treaty, especially by those who stubbornly stick to the nuclear deterrence concept in relations with countries having the opposite (political) system."

However, he said: "We are sure that the West will change its attitude toward the Soviet Union. Objective processes are working in this direction."

Tass said Mr Gorbachev and Mr Spaeth observed that relations between their two countries had "started to move to a new higher level."

"We have made our choice," Mr Gorbachev said. "If the stand of the West German leadership is the same, the time has come to start thorough preparations for consolidating joint resolve and record it in documents at the coming summit."

It was not clear from the Tass report whether Mr Gorbachev was referring to a Moscow visit scheduled for later this year by President Reagan, or to a meeting with Chancellor Helmut Kohl, the West German leader.

No Soviet-West German summit has been announced.

Bonn warns of summit risk to Community internal market

BY DAVID MARSH IN BONN

WEST German officials yesterday warned that failure of the EC summit in Brussels on Thursday and Friday to resolve the Community's agricultural crisis would represent a severe setback to efforts to forge a genuine internal market by 1992.

Following circulation yesterday evening to member states of a set of West German compromise farming proposals drawn up after close consultations with the EC commission, West German officials were voicing cautious optimism about the chances for agreement at the summit.

West Germany currently holds the EC presidency. Officials said one factor boosting the chances of an accord was that another failure in Brussels, leading to more months of indecision and delay over EC agriculture, would increase rather than lower the costs of dealing with excess Community farming production.

However a major stumbling block remains the question of ceiling levels for EC grain production. Britain, backed up partially by the Netherlands, has taken a much stronger line in backing a restrictive ceiling. This would represent a cut-off point beyond which excess production would be either subject to price cuts or would be taken out of the market through incentives for farmers to lay land fallow.

Further acrimony could lie ahead over the thorny question of Britain's EC budget rebate. Mr Hans-Dietrich Genscher, the Foreign Minister, who has been irked in recent days by reports that Mrs Margaret Thatcher, the British Prime Minister, fundamentally distrusts him, was said last night by officials to be preparing to take a hard-line stance over the budget rebate question.

On the grain levels, the West German paper mentions a ceiling range between 155m tonnes, the figure favoured by Britain, and 160 tonnes tonnes - the level preferred by Bonn and most other EC members.

West German officials said Mr Jacques Delors, the Commission president, who held talks in Bonn on Monday evening with Mr Helmut Kohl, the Chancellor, has come out in favour of a ceiling level of slightly below 160m tonnes. They add however that France in particular is highly unlikely to agree a lower ceiling than 160m tonnes.

West German officials are pinning hopes for a summit breakthrough on winning full backing for Bonn's compromise proposals from the EC Commission. Mr Delors, however, left Bonn on Monday without full knowledge of the final Bonn position, officials said.

The Government believes its latest suggestions "give no-one an exaggerated advantage" in providing a way of gradually cutting back excess EC farm production and boosting EC finances for the 1990s, one official said.

Failure to reach agreement would inevitably damage the 1992 internal market plan, as the next regular summit in Hanover in June had been meant to deal with detailed proposals on improving the free flow of goods and services.

● The mood in Brussels among West Germany's EC partners was yesterday one of cautious optimism, but all were shying away from predicting the outcome of this week's summit until they had seen the fine print of the paper prepared by the West German presidency of the council of ministers, writes David Buchan.

The delicacy of the EC's future financing negotiations was underlined yesterday when finance ministers sparred on the issue of farm export subsidies.

Historians' report critical, if not damning

Waldheim knew far more than he first admitted, Judy Dempsey reports

A REPORT drawn up by an international commission of historians set up to investigate the wartime activities of Mr Kurt Waldheim, the Austrian President, showed conclusively that he knew far more than he had originally stated and that he carried out tasks that could have affected the fate of prisoners or refugees.

This critical, if not damning report, which is divided into nine sections, includes a detailed analysis of Mr Waldheim's role in Greece and Yugoslavia which has been the subject of considerable confusion over the past few weeks.

In west Bosnia, where in July 1942, thousands of civilians and Yugoslav partisans had been deported to the camps, the report says that Mr Waldheim was in the immediate vicinity of criminal actions, particularly in Banja Luka. Mr Waldheim had originally denied reports that he was in the area at that time.

The report says that he must have known about the operating methods of the German unit which was operating there. Although the unit was involved in the deportation of prisoners and refugees, it says there is "no concrete evidence of how Mr Waldheim was involved in deportations to the camps".

The report, however, shows that when Mr Waldheim was in Athens, he knew of the practice of deporting Italian prisoners and internees to Germany in September 1943 at a time when Germany and Italy were not at war. "These illegal actions, as well as countless executions were known to senior staff. As a liaison officer, Waldheim had little practical possibility of influencing events."

Mr Waldheim has repeatedly stated that as a junior liaison officer, he could not have had access to knowledge or information about deportations.

The report states, however, that "even if he had no executive authority as a subaltern in a staff function, he was exceptionally well-informed about the war... particularly through his activity in the central intelligence service of his army group and his geographical proximity to the events".

Moreover, the report, while acknowledging that Mr Waldheim's personal influence in the decision-making process of the top leadership had been overrated by his critics and underrated by his defenders, says that "Waldheim often took part in such high-level talks and... from such meetings he gained a wide insight, not only tactical, strategic and administrative directives but also, in some cases, measures and actions that were in violation of martial law and the basic principles of humanity".

"He made an effort to let his military past fall into oblivion and where it was not possible, he played it down," the report says. This forgetfulness, according to the opinion of the commission, was so fundamental, that the historians could not get any clarifying comments from Mr Waldheim for its work.

Palestinian 'Exodus' set to leave Greece

BY ANDREW WHITLEY IN JERUSALEM AND CAROL REED IN ATHENS

A SHIP carrying Palestinians, journalists and prominent international sympathisers with the Palestinian cause was due to leave the Greek port of Piraeus today on a symbolic voyage to Israel that has infuriated the Government there.

They plan to demand the right to land at Haifa, and two separate efforts were underway in Israel to send boats to confront them.

The Palestine Liberation Organisation has chartered a ship of undisclosed origin for the trip. The 600 passengers will include 200 Palestinians said by the PLO to have been exiled from from the West Bank and Gaza Strip since they were occupied by Israel in 1967.

A grassroots Israeli organisation calling itself Victims of Arab terror has said it will charter a boat to counter the PLO initiative. The ultra-right Kach party, headed by Rabbi Meir Kahane, the American-born Knesset member, says it too has chartered a boat. "As soon as the Arab pirates are seen approaching Israeli waters, our ship manned by Rabbi Kahane...will set out from Jaffa port and head directly towards the Arab pirates" declared the party.

The prospect of a high seas confrontation between the enemy boats has already secured the backing of Prime Minister Yitzhak Shamir, who describes the Arab "Exodus" boat as a hostile action and "the height of impudence".

Speaking in Ashdod yesterday, he declared in fury that the Palestinian ship "intends to load its decks with murderers, terrorists that wanted to kill us, all of us, each and every one." But no common position has yet emerged within the National Unity Government over how to deal with the boat.

The editor of a weekly Israeli newspaper, Mr Michal Schwartz, told journalists in Athens on Monday that the PLO voyage has "awakened the imagination of all Israelis, right and left, because it recalls the same symbol used by Jews after World War II."

The passengers include four Palestinian activists whose expulsion from the West Bank by Israel last month roused widespread protest. Israel deported them to South Lebanon after accusing them of fomenting riots in the occupied territories.

US congressional aides, some Israeli sympathisers and a French bishop will be among passengers on the voyage.

AIDS could wreak havoc, expert warns

THE SOCIAL consequences of AIDS could be more catastrophic than the disease itself, an Arab health official warned yesterday, **Reuter reports from Kuwait.**

Mr Hilmi Wahdan of the World Health Organisation (WHO) told a Middle East AIDS conference that society's most productive members, young adults between the ages of 20 and 50, had the greatest risk of catching the incurable disease.

"The social consequences of AIDS could be even more catastrophic than the disease itself," he said.

"The selected loss of young adults in their productive years of life, many of whom support parents and children, is a tragedy for both their families and society at large."

Mr Wahdan said AIDS was the most expensive disease the world ever had to fight and the cost was prohibitive for even the wealthiest countries.

The cost of treating AIDS patients was estimated at between $50,000 and $150,000 each in the US, he said. It was lower in many developing countries where home and family care were greater, but still represented a staggering burden.

AIDS has reached epidemic proportions in the US, Europe and parts of Africa, and the WHO expects 1m people worldwide to have caught it by 1991.

Mr Wahdan said the primary modes of transmission in the West – male homosexual sex and intravenous drug use with contaminated needles – were less prevalent in the Middle East.

But he said more research was needed into the region's sexual practices to determine how great a threat they posed.

"The conference has drawn officials from 21 countries in the WHO's Eastern Mediterranean region stretching from Morocco to Pakistan. The region reported 78 AIDS cases as of January 31.

Mr Jonathan Mann, director of the WHO's special AIDS programme, assured participants that AIDS could not be spread through touching, sweat, coughing, toilet seats or insects.

"Ninety-five per cent of our lives entails no risk whatsover of being infected," he said.

The virus is spread through sex, blood or from mother to child. An infected pregnant mother has a 50 per cent chance of infecting her baby, Mr Mann said.

Mr Wahdan said he opposed blanket screening of foreign visitors and tourists for the AIDS virus.

"These groups can be successful in spreading AIDS only if they can find people to infect," he added. "That's where we must educate our people."

France attacks Canada on fishing

FRANCE, embroiled in a bitter row over fishing rights off the Canadian coast, said yesterday that it was deeply worried by Ottawa's refusal last month to set fishing quotas for French trawlers, **Reuter reports from Paris.**

"The Foreign Ministry is profoundly worried by this announcement, which ignores French fishing rights – the result of age-old links (between our countries)", the ministry said in a statement.

The dispute centres on a fishing zone south of Newfoundland, close to the French overseas territory of Saint-Pierre-et-Miquelon, where both countries have overlapping economic zones and are unable to agree on fishing quotas.

Canada accuses France of exhausting the area's rich fishing stocks by overfishing, a charge rejected by Paris, which last month announced unilateral fishing quotas.

The Foreign Ministry said the quotas fixed by the French authorities were very moderate.

A ministry spokesman said the Canadian moves represented a serious attack on the interests of French fishermen.

EC proposals on capital welcomed

By David Buchan in Brussels

THE European Commission's far-reaching proposals for free movement of capital throughout the Community was yesterday welcomed in an interim report by senior treasury officials of the 12 member states.

The report drawn up by the EC's Monetary Committee for a meeting of Community finance ministers yesterday, accepted the need for special transitional arrangements for the four poorer EC member states and said there was majority support for some safeguard clause for an individual state to re-introduce controls on short-term capital movements "in exceptional circumstances".

The committee also prounced itself satisfied that resolution of issues such as tax harmonisation - on which the UK is at odds with the Commission and most other member states - were "in no way a pre-condition to full liberalisation of capital".

Predictably, Mr Nigel Lawson, the UK Chancellor of the Exchequer, publicly echoed this view after the meeting.

Life sentence sought for Abu Nidal

A PROSECUTOR yesterday asked a jury to convict Abu Nidal of the 1985 Rome airport massacre and to sentence the fugitive Palestinian guerrilla leader to life in prison, reports AP from Rome.

Abu Nidal was accused of masterminding the operation in which 16 people died, including three of the four terrorists who, attacking with Kalashnikov rifles and hand bombs, struck the check-in counters of the Israeli airline El Al and the US carrier TWA at Leonardo da Vinci airport.

Nearly 80 people were injured in the attack, which ended when Israeli security guards fired back.

Prosecutor Francesco De Leo also sought the same fate for two other Palestinians on trial in addition to Abu Nidal, leader of the Fatah Revolutionary Council. Actually named Sabri al-Banna, he split with Yasser Arafat's Palestine Liberation Organisation in 1973.

Only one of the defendants is in Italian custody. He is Mahmoud Ibrahim Khaled, 20.

Joint ventures 'vital for steel industry'

BY NICK GARNETT

JOINT manufacturing ventures between steel producers in basic steelmaking and hot rolling are the only real means of obtaining long-term capacity reductions and proper order in the European steel industry, says a report published today.

Such ventures would allow participating steelmakers to retain their existing range of products and could be achieved without damaging their commercial prospects, says the report by Meps, a UK steel consultancy.

Corporate restructuring of this kind to promote plant rationalisation should apply to both private sector and publically-owned steel producers.

These joint enterprises could be set up to undertake basic steelmaking and continuous casting, supplying billets, bloom and slab to associated companies.

Other ventures could undertake melting and hot rolling for the collaborating companies.

Krupp and Mannesmann, two West German producers, are discussing a plan involving the closure of melting capacity at Krupp which would then use Mannesmann facilities.

The Cornigliano steel plant in Genoa has been converted from a slab maker for Italsider, the Italian state producer, into a billet supplier for a series of Italian flat product makers. This deal though has not been entirely successful.

There have been a number of other joint ventures in Europe but most concentrate on marketing and distribution. This includes an arrangement between Arbed of Luxembourg and Cockerill Sambre in Belgium.

The British Steel Corporation, the UK state-owned steelmaker due for privatisation in the next year or so, says it is interested in forming joint ventures with other steel makers.It has indicated it would only seek a link with private groups.

'Restructuring of the European Steel Industry. Meps, 22, Wilkinson St, Sheffield S10 2GB, UK. Price $2250.

E Berlin frees last civil rights activist

By Leslie Colitt in Berlin

EAST GERMANY yesterday freed Mrs Vera Wollenberger, the last of 22 civil rights activists to be released after a crackdown by the authorities last month.

Mrs Wollenberger, a founder of the Grass Roots Church and former Communist party member, arrived in West Germany with her husband and two children and accompanied by an East German Protestant clergyman. She was convicted of "illegal assembly" and sentenced to six months in prison after attempting to join an official rally with nearly 200 other civil rights supporters.

Mrs Wollenberger was given an East German passport which would allow her to return to East Germany after a planned one-year stay in Britain. She was the fifth recently released detainee to be issued a passport, reflecting East German sensitivity to charges it was expelling civil rights campaigners to the West.

All but two of the others detained were stripped of their East German citizenship and sent to West Germany.

The issuing of passports was welcomed by dissidents as "far better than expulsion". But they were also aware they would not be allowed to return if they made critical remarks about East Germany.

In an unusual commentary on the East German releases, Radio Budapest noted in its English language broadcast that such "tolerance" was not easy for societies where people were used to a "one dimensional view of truth and believe that opposition is harmful". It said Hungary was beginning to leave behind this concept.

Sara Webb reports on how Black Monday has hit Europe's arctic agriculture

Finnish fox fur farmers fear for the future

THE FINNISH fur farmers who have driven into Vantaa, near Helsinki, to watch this month's fur auctions have found plenty to worry about. So far this season, they have witnessed a 30-35 per cent drop in prices for their fox and mink pelts because of a combination of factors including the lower dollar, overproduction, and general economic uncertainty.

"You could say we've been hit by the stock market crash – at times like this, people think twice before they splash out on a luxury item like a fur coat," says one fox breeder.

"We don't expect the price level to be very satisfactory this year," explains Mr Arto Naukkarinen, the financial director at Finnish Fur Sales, the auction and trading house which is owned by the fur farmers. "Though we sell in Finnmarks, most of our buyers think in dollars."

The buyers, including the Western fashion houses and manufacturers in the Far East, appear reluctant to invest a lot in furs this season, having stocked up with pelts last year. "With the current economic uncertainty, they don't want to risk putting a lot of money in commodities such as furs," says Mr Naukkarinen.

While the auctions in mink pelts have set off at a brisk pace, it is the fox prices that breeders are watching most closely. Finland claims to have 70 per cent of the farmed fox market, and last year sold fox skins with a market value of FM1.84bn ($451m). Its share of worldwide mink sales is between 10-12 per cent, ranking it after Denmark.

Finland is also the leader in developing what are known as the "fancy mutations" – the unusual pelt colours and markings which are much sought after by top designers.

There are about 40 different fox styles on the market, but at any one time the farmers could be working on developing 15 to 20 new types from the mutations which arise and then selectively breeding from these.

The novelty factor usually ensures a high price: when the "Golden Island Fox" emerged in its first season in the early 1980s, buyers were prepared to pay FM3,200 per skin.

"Blue Frost Fox" scored a hit a few years ago, but soon farmers picked up on its popularity and this led to overproduction: prices have since plummeted and this year buyers were only prepared to pay FM279 compared with FM666 in January 1987.

Next door in Sweden, mink breeders have taken to feeding their stocks on the reindeer meat which has been declared unfit for human consumption because of the high radioactivity count – a lingering consequence of the Chernobyl disaster.

But Finnish fox breeders refuse to do the same, even though some have suggested that it could increase the mutation rate – "It's too risky – we don't know what effect it might have" says Mr Matti Sulen, an executive at the Finnish Fur Sales.

Instead, the foxes are kept on a well-balanced diet of fish, meat, cereal and vitamins.

However distasteful it may be to wander around the viewing rooms where the fox pelts are strung up through the nose in batches of ten and a distinctive musky smell pervades, the fact is that fur farming is an important business in Finland.

There are about 5,800 fur farmers, mostly living in the Western part of Finland where there are few alternative jobs or means of making a livelihood. Altogether, some 30,000 people are thought to be dependent on the fur trade including food suppliers and distributers.

Nearly 98 per cent of the farmed fur is exported and today, fur exports account for 2-2.5 per cent of Finland's total exports. The US and Japan are the most important markets for the raw goods, accounting for 11 per cent and 13 per cent of fur exports respectively.

The bulk of the pelts are made up into coats and jackets in South Korea, Hong Kong, and Japan (where labour costs for sewing the skins together are still lower) before being resold to the US and Europe.

Fur farming is a capital-intensive business. The farmers have to pay for the sorting and collecting of pelts – much of which is handled electronically so that it is easier to keep track of which colours sell best.

Most of the expenses come between May and December. Pelting (the euphemism for killing) takes place in November and farmers start to receive payments once the auction season begins in December.

Go-ahead for fusion reactor project

BY WILLIAM DAWKINS IN BRUSSELS

AMBITIOUS proposals for the European Community, US, Soviet Union and Japan to collaborate in designing a thermonuclear fusion reactor have received the go-ahead from the EC's 12 member states.

Ten scientists from each of the four powers will start research in April into what the European Commission calls a "conceptual design" for a fusion reactor in April at the Garching plasma physics research institute in West Germany.

Nuclear fusion aims to provide cheap pollution free energy by combining nuclei, the building blocks of atoms, in a controlled reaction. It is widely - though not universally - held as a safer alternative to conventional nuclear fission, where energy is released by splitting atoms. Fusion is, however, technically far harder to achieve.

The scheme has been hailed as a telling sign of Soviet openness towards the EC, with which it has no formal diplomatic relations, as well as a rare sign of US preparedness to share technological expertise with Moscow. The accord, approved in outline by the four powers last October, has now received the detailed assent of all but Japan, expected to formalise its acceptance shortly.

Garching was chosen as a mark of the EC's lead in fusion research. The partners aim to produce a design document by 1990, which could in theory lead to the construction of a commercially viable reactor by early next century.

Commission officials emphasised, however, that the project, International Thermonuclear Experimental Reactor (Iter) is open-ended in that its results could be used independently by any of the partners or there could be further collaborative work.

Work on Iter will run in parallel with the EC's own technical feasability studies for nuclear fusion, known as Next European Torus (Net), also being carried on at the Garching laboratory.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 44 East 60th Street, New York, NY 10022.

Mahathir calls on king in bid to save party

BY ROGER MATTHEWS AND WONG SULONG IN KUALA LUMPUR

Mahathir: Prime Minister without a party

DR MAHATHIR MOHAMAD, Malaysia's embattled Prime Minister, flew to the south Malaysian city of Johore Baru, yesterday for urgent consultations with Sultan Mahmood Iskandar, the king, over the crisis afflicting the country's ruling Malay party.

The United Malays National Organisation, Umno, was declared "an unlawful society" by the High Court last week, triggering off an unprecedented move by two former Prime Ministers, to capture the leadership from Dr Mahathir.

The role of Sultan Mahmood is regarded as critical to Dr Mahathir as he is now Prime Minister without a party. By tradition, the Malaysian monarch commissions the leader of the largest party in parliament to head the Goverment. This is the second time in a week that Dr Mahathir had sought an audience with the king over the party crisis.

There is some speculation that Dr Mahathir could have discussed with the king the possibility of emergency powers should the need arise.

The Prime Minister's supporters said yesterday that the paramount issue was "to save Umno and to ensure the political survival of the Malays".

Datuk Najib Tun Razak, a Cabinet minister and head of the former powerful youth wing of Umno, warned that the move by two former Prime Ministers to register a new party, called Umno (Malaysia), could lead to "a permanent split" within the Malay community.

"It's no longer a question of individuals, but how to save Umno and stabilise the nation," he said.

A spokesmen for the proposed new party, headed by Tunku Abdul Rahman and Tun Hussein Onn, admitted that its creation depended on the Registrar of Societies. He said it would be "lovely" if Dr Mahathir and his team would join the Tunku in order to reformulate Umno.

He warned the longer they delay it, the more difficult it would be to re-establish the party which has dominated Malaysian political life for more than 40 years.

The crisis within Umno is being watched increasing anxiety by the country's two other main communities, the Chinese and the Indians, they fear it could degenerate into a more bruising power struggle in a community which traditionally has resolved its internal disputes through dialogue and compromise, away from the glare of publicity.

The minority communities fear that they could become the main victims if the two competing Umno factions seek to outbid each other in their claims the protector of Malay interests.

At the same time, Malay factional fighting could undermine local and foreign investors confidence at a time when the economy is starting to benefit from higher commodity prices.

Indian economy awaits the philosophers' stone

Mr Gandhi's reformist zeal needs to be revived, says John Elliott

Mr Mikhail Gorbachev's Perestroika and Mrs Margaret Thatcher's Institute of Economic Affairs, are admired from afar by economists and other public figures in India. They long for the well-meaning economic and industrial liberalisation policies of Mr Rajiv Gandhi, the Prime Minister, to be given the strength and resilience of a philosophical base.

India's economy is now emerging from its worst monsoon and drought for over 25 years in better shape than many people thought possible a few months ago. Inflation and the balance of payments deficit have been kept relatively in check. But there are serious worries about public spending and foreign debt, which will be reflected in the annual Budget due on February 29. A further disastrous monsoon next summer could lead to serious economic difficulties.

But the main question now is whether Mr Gandhi, who is showing signs of trying to reassert himself after a bad year, has the political will, nerve, and skill to give his liberalisation and industrial efficiency policies a boost in the 23 months he has left before the next general election.

The economy urgently needs a heavy dose of efficiency measures to help curb rocketing public spending. It also needs further liberalisation of domestic economic and industrial controls, and the maintenance of existing import-export liberalisation. A new three-year trade policy is due in early April.

This would keep the momentum of private sector industrial change and competition going, even if Mr Gandhi does not have the political strength to give industry what it needs most - the freedom to shut down loss-makers and shed labour.

The Planning Commission, in its mid-term review of the seventh 1985-90 five year plan, marks out the top agricultural priority as boosting food grains production to 175m tonnes by 1990 from the 1987-88 150m target. The drought is expected to have cut production back to about 135m, forcing some limited imports and breaking India's proud record of self-sufficiency.

The Government has spent Rs15-20bn on various drought relief works, but this has been partly offset by extra foreign aid, spending economies and extra tax, import and other charges, including a recent petrol price rise. The cost of India's peace-keeping force of over 40,000 troops in Sri Lanka is said by some officials to be adding Rs1.3bn in a full year to the 1987-88 defence budget of Rs125bn.

Government spending is also suffering from a major shortfall in domestic savings and this together with the costs of subsidies and interest payments is endangering the financing for the current five year plan.

There is little doubt however that the government will later this month publish a budgetary deficit figure for 1987-88 no larger than the Rs56.88bn promised as the absolute maximum a year ago by Mr Gandhi. But few economic and diplomatic observers believe it will be a genuine figure.

These expenditure problems are making some international bankers concerned about India's foreign debt. The debt service ratio of foreign borrowings to export earnings is put by the government and the World Bank at a tolerable 21 to 25 per cent, depending on how it is calculated, though some foreign banks estimate it as high as 31 per cent. It has been pushed up by current repayments on $3.9bn International Monetary Fund credits which end next year.

The debt service ratio would have been worse - or imports would have had to be curbed - if it had not been for a rapid improvement in exports, plus payments of part of more than $1bn in drought-related international aid. In the first half of 1987-88 export rupee earnings were growing at a record 26 per cent, and 17 per cent is likely for the full year. The 26 per cent figure is equal to 21 per cent in dollar figures, and a somewhat less remarkable 8 per cent in volume.

Government officials and bankers believe that Indian industrialists are beginning to shift production to exports as a business necessity. In part this is because of increasing domestic competition and some over-capacity, but it is also a response to micro-economic incentives. These include permitting selective imports to boost quality in the garment and leather industries, which have been doing particularly well.

But there is a new balance of payments problem arising from big increases in oil imports - 3m tonnes extra this year above a planned 21m - to meet demand which is now rising at 7 per cent a year. India's hopes of becoming self sufficient in oil have vanished.

The drop in agricultural production will now probably pull gross domestic product growth down to about 1-1.5 per cent compared with an average of 4.8 per cent in the previous two years. Industrial output will grow by approaching 8 per cent which is regarded as good, except that it conceals very uneven performance with declines in capital goods and other industries.

India's economy urgently needs the growth generated a couple of years ago to be sustained, but the industrial momentum will be lost if Mr Gandhi does not revive his reformist zeal. He showed his own uncertainty at a recent meeting of the Planning Commission when he asked plaintively whether someone could find a Hindi word to replace "liberalisation".

South Korea doubles its current account surplus to $9.8bn

BY MAGGIE FORD IN SEOUL

SOUTH KOREA recorded a current account surplus of $9.8bn last year, more than doubling the 1986 figure which was the first surplus for ten years. Exports rose 36 per cent to $46bn.

Despite a wave of labour strikes last summer followed by substantial pay rises, almost all export industries reported big improvement, according to central bank figures. Motor car exports were up 106 per cent, machinery up 67 per cent, electronics 54 per cent and textiles 37 per cent. Earnings from shipbuilding declined by 37 per cent.

The trade surplus of $7.6bn compared with $4.2bn in 1986. Imports rose 28 per cent to $38 bn. South Korea's surplus with the US, its main export market grew from $7.2bn in 1986 to $9.5bn last year.

By contrast, the chronic trade deficit with Japan was reduced to $5.2bn from $5.4bn in 1986, following South Korean efforts to diversify imports to the US and other trading partners. Seoul's surplus with EC countries rose $890m last year to $1.8bn.

Increased tourism receipts and remittances from overseas Koreans accounted for a turnaround in invisible earnings, from a deficit of $628m in 1986 to a surplus of $947m.

Exports in the month of December alone showed a 50 per cent increase on the same month a year ago, reaching $5.2bn.

US to urge West Bank and Gaza elections

BY ANDREW WHITLEY IN JERUSALEM

MR RICHARD MURPHY, the US special envoy, held talks in Jerusalem last night with Prime Minister Yitzhak Shamir soon after his arrival from Egypt. Mr Murphy is touring Mideast countries drumming up support for the Reagan Administration's latest peace plan.

Mr Shamir is expected to come under strong US pressure to agree to early elections in the Israeli-occupied West Bank and Gaza Strip, as a precursor to an interim solution for the region. While the Prime Minister and Mr Yitzhak Rabin, the Defence Minister, are known to be opposed to such elections – probably for local municipalities – Mr Shimon Peres, the Foreign Minister, has come out in favour.

As Mr Murphy arrived, on what is expected to be the last leg of a tour which has already taken him to Syria, Jordan, Saudi Arabia and Egypt, another Palestinian youth died yesterday under unexplained circumstances.

According to the pro-PLO Palestine Press Service, a 16-year-old boy named as Nabil Lateef Abu Khalil was shot in the chest near a street barricade in the village of Attil, near Tulkaram in the West Bank. Troops driving past on their way to put down a demonstration elsewhere were blamed.

An army spokesman said the there had been no clash in the village at the time. But police sources said later that their investigations showed that the army was indeed responsible.

The army yesterday also issued a formal denial of responsibility for the death by beating on Sunday of the 15-year-old from Gaza. It blamed the boy's family for removing his body from hospital before an autopsy could be performed, and said its own investigation into the circumstances of the death was now closed.

Throughout Monday, army spokesmen had equivocated in their responses to a deluge of enquiries about the incident, firmly pinned on soldiers by Mr Bernard Mills, the British director of the United Nations Relief and Works Agency in the Israeli occupied territories.

World Bank to seek to unblock Philippine aid

BY RICHARD GOURLAY IN MANILA

A WORLD Bank team will visit the Philippines next week to help unblock more than $600m of aid committed to President Corazon Aquino in a flurry of international support over the past two years but not used because of bureaucratic delays.

The bottlenecks have hampered economic growth and slowed the inflow of foreign exchange needed to pay for imports sucked in as the economy has picked up.

The World Bank last year expressed the concern of many aid donors about slow disbursement and lack of projects, Mr Vicente Jayme, the Philippine Finance Secretary said yesterday.

In 1986, Mrs Aquino's first year in office, governments and multilateral lenders such as the World Bank committed $330m more in loans than Manila used. Last year, the shortfall fell to $191m but some donors had held back because previous commitments had been untapped.

This year $966m in loans is available but some aid lenders are already saying that the Government has identified too few projects. About $4bn in aid is committed to the Philippines over the next five years, according to Finance Department figures.

Some projects are delayed because the Government has not budgeted the peso counterpart funds which are often needed to finance the local portion of a project. But the delays are also bureaucratic – a lack of feasibility studies, poor follow-up on project implementation and disagreements between government agencies, Mr Jayme said.

Immediately after the World Bank meeting last year, Mrs Aquino appointed a Cabinet-level team to speed the aid flows. Mr Fiorello Estuar, who chairs the committee, initially said $2bn was stuck in the aid pipeline, mainly in funds committed by Japan, the Asian Development Bank and the US.

Last year gross national product grew by 5 per cent, up from a barely positive rate in 1986.

Japan increases Sri Lanka aid

JAPAN yesterday signed an agreement increasing its aid for the giant Mahaveli River multi-purpose development project by a further Y2.95bn (£13m) Mervyn de Silva reports from Colombo. In 1981, Japan gave Sri Lanka Y7.7bn for the same downstream development of System C of the billion-dollar irrigation-cum-power scheme, which is also supported by the World Bank, Britain, Canada, the US and Sweden.

After the ceremony, the Japanese ambassador said the downstream project had achieved impressive social and economic advances by increasing rice production, diversification of crops and improving infrastructure. Japanese experts have introduced new varieties of rice, developed harvest management methods, and water-management systems. They also run a pilot demonstration farm. The new aid pledge consolidates Japan's position as the island's largest donor (replacing the US two years ago).

Iowa party votes reshape the electoral landscape

BY STEWART FLEMING IN DES MOINES

"What happened, Rich?" a hollow-eyed Mr Richard Bond, political director for Vice President George Bush, was asked by reporters looking for an explanation of the magnitude of Mr Bush's defeat in the Iowa caucuses on Monday night.

"What happened was we wuz whipped," he replied, bravely refusing to mince his words even though, as the man who masterminded Mr Bush's victory in the state eight years ago, the loss could not have been more painful or poignant.

Defeat is a word which hardly encompasses the stunning blow to his presidential aspirations implicit in Mr Bush's third place finish behind Senator Robert Dole of Kansas and the television evangelist Mr Pat Robertson.

Mr Bush has been working for victory in Iowa for eight years. He is the front-runner nationally for the Republican nomination. In his efforts to deal a mortal blow to his bitter rival Mr Dole he has drawn on his campaign's abundant financial resources and on the prestige of his office in a party which pays deference to its hierarchical traditions.

There is, however, one consolation. Like Governor Michael Dukakis of Massachusetts who finished a respectable third in the Democratic caucuses, Mr Bush lives on to fight the next round next Tuesday in New Hampshire. That is home territory for a man whose family roots are in New England and who keeps a summer mansion in Maine. The victories of the two Midwesterners in Iowa, Mr Dole and Congressman Richard Gephardt from Missouri, suggest that regional loyalties do count.

As expected, the Iowa caucuses reshaped bits of the electoral landscape. For the Democrats, the quixotic Senator Gary Hart and Mr Bruce Babbitt, the avant garde Democrat, must think about packing their bags. Senator Albert Gore of Tennessee, who did not compete in the state and is holding his fire for the races in the South, can continue to hope that, after the New Hampshire primary, confusion will still prevail. So can the Rev Jesse Jackson, whose 11 per cent in Iowa attests to a reasonable drawing power and whose natural stamping ground is also the South.

Senator Paul Simon of Illinois, in spite of finishing second, must worry that there will not be room for two Midwesterners after the final cut is made in New Hampshire. Unless he can push Mr Gephardt into a weak third behind the odds-on favourite, Mr Dukakis, his bow-tie and folksy image may disappear from the screen.

On the Republican side a long battle of attrition between three front-runners is now more likely. Defeat for Mr Dole in Iowa at the hands of the Vice President would have left him limping forlornly. Instead, with more than Christian charity, Mr Robertson, by finishing second, has fulfilled the Kansan's wildest dreams.

Former Delaware Governor Pete Dupont must now be hearing the swish of the scythe, as must the former Nato Commander, Alexander Haig. The press may miss Mr Haig's biting sarcasm but Mr Bush, its invariable target, will not.

Congressman Jack Kemp from New York now knows that he is in a battle to the death with Mr Robertson for the conservative mantle, sullied and about to be laid down by President Reagan.

As the campaign shifts around the country, much will be made of the regional factor. Undoubtedly, Mr Dole and Mr Gephardt had an advantage fighting on home ground first. In the final three days both ferried in a thousand volunteers from their neighbouring states to get out the vote – vital in Iowa. Mr Simon did also. It is that which makes Mr Dukakis's strong third place look impressive.

But the regional factor was not decisive. The characteristic which links the campaigns of those who won or did better than expected is the clear and simple message they projected and, particularly in the case of Mr Gephardt, his command of television in getting that message across.

He had been almost counted out late last year. But then he sharpened his protectionist anti-establishment rhetoric. His media advisers, Doak and Shrum, proved their high reputation by producing a series of advertisements on film to back up this theme and shrewdly kept Mr Gephardt's live television appearances to a minimum.

Populist resentment against foreigners, big business and Washington was a common thread in the Gephardt, Robertson and Jackson campaigns and seems to have played quite well. Mr Dole, by presenting himself as an effective problem solver who would tackle the budget deficit decisively, was able to capitalise on the antipathy many state Republicans feel towards Mr Reagan's policies.

Mr Bush's defeat raises all the lingering questions about his effectiveness as a campaigner. Is he, as his critics say, a political haemophiliac, who will continue to bleed now that he is cut? Or can he, in prosperous New Hampshire, profit from his association with the Reagan Administration?

With his organisational strength across the country, particularly in Texas and Florida, he will be tough to eliminate from the race. But he badly needs a resounding win in New Hampshire before the election trail leads back to Dole country, the Minnesota caucuses and South Dakota primary at the end of this month. Otherwise, momentum will stay with Mr Dole and his redoubtable wife Elizabeth.

Computer count pays off for Robertson

By Lionel Barber in Des Moines

THE BEST evidence of Mr Pat Robertson's organisational strength is that the former television evangelist turned Republican presidential candidate set up his own computerised election return service in Iowa.

The move implicitly cast doubt on the reliability of the long-established News Election Service, the official service set up by a group of US news organisations which has counted the vote in every presidential election since 1964.

Rival service

The Robertson campaign said they set up their own rival service two weeks ago after their allegations of fraud in the Michigan Republican caucuses last month were rejected by the state party.

"It is a protective move," said Mr Ben Waldman, a Robertson aide, stressing that his service was faster and probably more reliable than NES.

On Sunday, on the eve of Mr Robertson's stunning second place victory over Vice President George Bush, his staff invited reporters to examine, test and play with their system.

Mr Waldman said it was made up of $10,000 of computer hardware, backed up by more than 2,000 volunteers in the election precincts ready to call in Monday night's straw poll results to a 100-strong telephone bank at Robertson headquarters.

As described on Sunday, the Robertson volunteers each were given passwords such as Apple, Banana, Citrus to ensure that only they gained access to those tallying the results back at Robertson headquarters.

Having cross-checked the callers' identity, the tallyers would then feed the returns into a computer which, in turn, was programmed to tabulate each candidate's showing at the state and country level.

The system was put together by Mr Waldman, who said he campaigned on behalf of Ronald Reagan in 1976 and was Associate Director of Presidential Personnel at the White House in 1985. Mr Waldman said he simply bought the equipment and devised, with help, an appropriate software programme. "It is the free market at work," he said.

Phone banks

In fact, the Robertson system was largely modelled on NES with its network of volunteers, phone banks and computers. Indeed, in some cases, there is evidence that the Robertson recruits in the field duplicated as the NES volunteers.

The gain for Mr Robertson was that he reinforced his image of an outsider battling – but eventually winning –against the odds by using his own resources and volunteers. He intends to use the service throughout the rest of the campaign, Mr Waldman said.

PAT ROBERTSON

A force to be reckoned with

BY STEWART FLEMING

IN HIS first campaign for public office Mr Pat Robertson, a 58-year-old former Baptist minister-turned-politician, confirmed on Monday night what some of his Republican rivals have been saying privately – he is a force to be reckoned with in the race for the Republican presidential nomination.

By pushing Vice President George Bush into a humiliating third place in the Iowa caucuses, which Mr Bush won in 1980 by narrowly defeating Mr Ronald Reagan, the controversial Christian fundamentalist has shown a mastery of the skills of communication and organisation.

This suggests that, while his chances of winning the nomination remain slim, and while his religious past is littered with eccentric claims concerning his relationship with God, he could become Mr Reagan's heir apparent among conservative Republican voters.

Those skills, and the depth of his financial resources, were on display in the final weeks of the struggle in Iowa. Four weeks ago he began to intensify his efforts to broaden his support beyond his narrow evangelical Christian core of supporters who first became familiar with his genial television image through his appearances on the Christian Broadcasting Network.

In a series of advertisements designed to allay the concerns of more moderate voters, he appealed to viewers initially not for their votes but for their attention. Don't be frightened of what you have read about me, he seemed to be saying, just listen to what I am saying.

Last weekend, Mr Robertson took two adjacent page advertisements in Iowa's leading newspaper, the Democrat-leaning Des Moines Register. Under large photographs of himself and President John Kennedy, he suggested that he was being subjected to the same sort of religious bigotry directed against Mr Kennedy's Catholicism in the 1960 election.

By caucus day Mr Robertson was claiming that his cause, to "rebuild America's greatness based on moral strength", was paying off. In a mid-day news conference which foreshadowed the "victory" he said was his on Monday night, he detected a dramatic movement of support to his candidacy with more Catholics and blue collar Democrats joining his bandwagon.

Regardless of the merits of his claim, there can be no question that the "invisible army" of evangelical supporters was no phantom of his campaign's imagination. As Mr Marc Nuttle, his campaign manager, said on Monday afternoon, the polls were underestimating his strength because they were not taking account of the first time caucus-goers his state-wide organisation was attracting.

What proportion of these new voters are in fact non-evangelical remains unclear. It is also uncertain how successful Mr Robertson's message will be in New Hampshire, which does not have either the powerful core of born-again Christian fundamentalists in rural Iowa or the large number of economically disadvantaged.

He may also face a more powerful challenge from Mr Jack Kemp, his main rival for the loyalties of Conservative Republicans. Mr Kemp, however, must worry that Mr Robertson's Iowa showing will erode the New York Republican's standing.

Mr David Keene, a political adviser to Senator Robert Dole, suggested before the vote on Monday that even a reasonable showing by Mr Robertson in New Hampshire would probably be enough (coupled with his strong fund-raising ability) to make him a competitive candidate in the South on Super Tuesday, March 8. The Bible belt is Mr Robertson's home ground. It is also a region where his fervent anti-Communism should strike a chord.

An exultant Pat Robertson prepares last night to address his supporters after pushing Vice-President George Bush into third place in the Iowa caucuses.

RICHARD GEPHARDT

An effective change of image

BY LIONEL BARBER

CONGRESSMAN Richard Gephardt of Missouri is a consummate Washington insider who based his slender victory in the Iowa caucuses on a narrow, populist campaign appealing to farmers, the elderly and organised labour.

The skill with which he shed his "smoke filled room" image for the angry young man of the people reflects some shrewd advice from his advisers and, perhaps, the opportunist streak which every successful politician needs. His was a campaign tailor-made for Iowa. The question is how well will it play in New Hampshire in next week's primary and elsewhere?

Mr Gephardt (47) believes he has a national message: "What I see everywhere in America is people worried about gaining control over their own destiny."

In Iowa, he played the politics of fear and resentment, and offered two policy measures which he said would help: a Congressional farm bill (co-sponsored by the Iowa Democrat Senator Tom Harkin) allowing farmers to vote on mandatory production quotas and therefore guaranteed prices; and a pledge to take tough retaliatory action against US trading partners using unfair competition.

Although the Harkin-Gephardt bill has little chance of becoming law, it enabled Mr Gephardt to get a foothold with trade unions and to be identified closely with the survival of family farms.

When his support sagged late last year, he employed the trade issue to revive his campaign, using aggressive television advertisements attacking not his Democratic presidential opponents, but foreigners.

In one the sandy-haired, blue-eyed Congressman alleges that South Korean import tariffs would push up the price of a Chrysler K car – the equivalent of the best-selling Hyundai – to about $40,000 in South Korea. "Needless to say," he says to his audiences, "there are not too many K-cars sold in South Korea."

Mr Gephardt first came to Iowa in May 1986, nine years after he was first elected to the House of Representatives. A former Eagle Scout, attorney, and alderman from St Louis, he is a native of Missouri which is a neighbour state.

His natural base of support lies in the House of Representatives where he already enjoys the endorsement of some 80 Congressmen and women. He is the only House Democrat in the presidential race, and his popularity stems from a mixture of glad-handing and attention to his fellow members' needs, as well as an ability to latch on to the big political issues.

During his time as a Congressman, Mr Gephardt has managed to get his name on legislation affecting farms, trade and, latterly, tax reform where he co-sponsored a bill with Senator Bill Bradley of New Jersey. This has enabled him to build a reputation as a politician who can cut a complex issue down to size and build coalitions to force through legislative reform.

He is also a founder member of the Democrat Leadership Council set up after the 1984 landslide presidential election defeat to help find a moderate, mainstream and, above all, electable Democratic platform.

In the coming weeks, Mr Gephardt's protectionist trade message is likely to come under increasing attack from his opponents, particularly Gov Michael Dukakis of Massachusetts. Senator Paul Simon of Illinois, who ran a close second in Iowa to Mr Gephardt, is expected to focus more on the Congressman's voting record which he claims is illiberal and inconsistent.

Mr Gephardt's win in Iowa was widely forecast, and so he did the minimum needed to maintain momentum. But he will have to reveal a broader message if he is go all the way to the nomination.

Neat play in caucus beggar-my-neighbour wins trick for Gephardt

BY LIONEL BARBER

MARTIE FULTZ whooped with glee. A rotund lady in her late-thirties with jet black hair and deep red lipstick, she had just been selected as a Democrat delegate in the 1988 Iowa presidential caucuses.

The story of how Ms Fultz became the delegate representing the Democratic candidate Congressman Richard Gephardt of Missouri is complex. But it goes to the heart of criticism voiced about the caucus system in Iowa, the Midwest farm-belt state which sets the first election test in the modern US presidential campaign.

Ms Fultz, owner of a gift-store in Des Moines, the state's largest commercial and financial centre, chose Mr Gephardt because she liked his confident, clean-cut image – he looks, in her words, a winner.

On Monday night, just before seven o'clock, she arrived at the Holy Trinity School in Beaverdale, a white middle class suburb of Des Moines with a heavy Catholic population and an increasingly active number of evangelical, fundamentalist Christians.

Along with Ms Fultz, another 148 registered Democrats gathered at the school to attend the 18th precinct caucuses.

By definition, these debates among supporters of presidential candidates are to determine how many delegates (if any) will be awarded to each candidate to go to a county convention which, in turn, picks delegates to a national convention, which then selects the presidential nominee to do final battle in November with the Republican contender for the presidency. The reality at Holy Trinity proved less straightforward.

The Democrat turn-out on Monday night was heavy; so was the Republican attendance upstairs in the gym. Ms Wilma Beldon Collins, an elderly former reporter, declared that more Republicans had come to vote in the presidential straw poll than for years.

Downstairs, the Democrats had just ventured on what might be called the first step in the elaborate caucus dance: splitting into "preference groups" for each candidate.

At the back of the classroom, some 20-odd supporters, mainly women, of Mr Bruce Babbitt of Arizona, had gathered. In the middle, a medium-sized group of young and old had formed on behalf of Governor Michael Dukakis of Massachusetts. In front of the stage, stood 10 supporters, all white, of the black preacher-politician the Rev Jesse Jackson.

Nearly 50 men, women, and near children filled the front of the room, all backing Mr Paul Simon of Illinois – not a single supporter of Mr Gary Hart, the former Colorado Senator, was present – and Martie Fultz, the Gephardt cheer-leader, was barely visible.

To earn a delegate, a candidate's group needs to make up at least 15 per cent of those at the caucus. Any less, and a candidate's supporters may elect to shift their allegiance.

A stocky man with glasses produced a pocket calculator. "Each candidate's group needs 22.35 persons for one delegate," he said, helpfully. This having been rounded up to 23, the real horse-trading for the six delegates on offer began.

The Simon people approached the "unviable" Jackson group and, mixing threat with flattery, begged for their allegiance. Someone from the Dukakis group strode over and said confidently: "Come over to us, we can then make two and I guarantee you one delegate," before adding: "Hey, I ain't even sure I can do that."

Beggar-my-neighbour continued for some 25 minutes.

Mr Max Schott, a young lawyer and Jackson supporter explained why he eventually shifted to Mr Simon: "Jackson's is a natural leader; he is like John Kennedy. After Jackson I would choose Simon because he is like a college professor, he is good on education and can strike a balance between the military and industry."

Mr John Krieg, a 25-year-old aide in the Iowa legislature, made the same switch: "Simon is equally strong on the peace issue, he would reduce nuclear weapons, spend money on social programmes."

At 8.30 pm, came the last Democratic tally. Cheeers rose as Mr Babbitt, the quirky long-shot earned one delegate, Mr Dukakis two, and Mr Simon two, just missing out on a third.

Finally, the "uncommitteds" also earned a delegate who just happened to be Ms Martie Fultz, who announced she would support Mr Gephardt at the convention.

It was a neat move by Ms Fultz. By keeping her original 20 Gephardt supporters almost intact and then persuading a couple of other "floaters" to join the uncommitted pack, she earned a delegate and prevented Mr Simon from picking up three.

On the Republican side, Senator Dole romped home with 54 votes in the straw poll to George Bush's 39, with Pat Robertson a distant third on 23. Though the Republican straw poll is not binding on later delegates chosen for the national convention, it is treated as a decisive reflection of a candidate's strength.

The 18th precinct made for a somewhat surprising result. Republican state committee members had billed the precinct as a hotbed of fundamentalism and Mr Robertson's stunning performance elsewhere in the Iowa suburbs suggested that the 18th may have been the exception to the rule.

But then Iowans – for all the world media's incessant forensic efforts and reportage – remain unpredictable.

US urged to aid overthrow of Noriega regime

BY NANCY DUNNE IN WASHINGTON

MR JOSE BLANDON, former Panamanian consul general in New York, yesterday called on the US and the countries of Latin America to help in the "dismemberment" of the "criminal empire" headed by General Manuel Antonio Noriega, Panama's military strongman.

Mr Blandon, in testimony before a Senate subcommittee, charged Gen Noriega and his lieutentants with aiming to subvert other armed forces and democracies of Latin America.

This testimony has further heightened the war of words between the Reagan Administration and Gen Noriega, who last week was also indicted by Florida court on drugs charges. To underline his determination to stay on as head of the powerful Defence Forces, Gen Noriega went on television on Monday flanked by the entire senior officer corps.

He threatened to force the US to withdraw its 10,000-strong contingent of troops from Panama's canal zone.

Mr Blandon stressed the difficulties of getting rid of Gen Noriega. "It won't be easy," for the unarmed people of Panama to dislodge "a criminal enterprise" running large segments of Panama. Describing himself as a patriot seeking to save democracy in Panama, Mr Blandon detailed of how the general and his aides had expanded military control over usually civilian government functions like immigration, customs, the ports, and airports.

"Carefully selected civilians, acceptable to Noriega and his clique, were placed in key positions in the ministries and the courts," he said. "Together Noriega and his group has turned Panama into a gigantic machine for all shorts of criminal activities."

Large sectors of the economy have been subverted by the clique's activities, according to Mr Blandon, who as a close political adviser of the late General Omar Torrijos worked closely with Panama's intelligence network. A network of pilots, which provided arms to the Sandinistas and the rebels in El Salvador and Columbia, was placed in charge of drug trafficking activities.

Mr Blandon provided an intriguing glimpse into Gen Noriega's life style. Paid at most $60,000 a year, the general – the son of a poor family – now owns about 12 houses, several BMW cars, vans, jets, helicopters, aircraft, "gold and silvery" boots, a medal made of precious stones and 200 military caps.

"Caps are to Noriega what shoes were to Imelda Marcos, I take it," said Senator John Kerry, chairman of the Senate subcommittee.

Brazilian railway strike bites

By Ivo Dawnay in Rio de Janeiro

THREE Brazilian iron ore mines were at a standstill yesterday and state authorities in the central west region warned that oil stocks were critically low as a result of a 10-day-old strike by railway workers.

Despite a resumption in services on some urban passenger and freight trains in Sao Paulo, negotiations with the bulk of the workforce were on a knife-edge yesterday. The railwaymen are demanding that the government reverse its veto on a 60 per cent pay increase, approved by the management of the Federal Railway Network (RFFSA), a state company.

Controlling wages and public sector employment is the key element in the government's renewed efforts to tackle its public sector deficit that ended 1987 at some 5.4 per cent of total gross domestic product.

To reduce this to 2 per cent this year, Brasilia ordered last month that all recruitment and replacement of federal and state sector staff be halted and payrolls be reduced by 5 per cent.

Railway workers claim, however, that resources due to be targetted at a new $2.4bn railway to link Brazil's northern and southern regions could be better spent on improving the existing network.

The National Labour Court, that rules on the legality of disputes and can impose settlements, was due to give a verdict on Monday, but delayed a decision.

US to probe airline scheduling

BY RODERICK ORAM IN NEW YORK

A SHARP deterioration in US airline punctuality last month has triggered a full-scale government investigation of scheduling practices.

"Despite some unavoidable causes for flight delays, I am concerned that the airlines may not be taking sufficient steps to publish realistic schedules," said Mr Jim Burnley, Transportation Secretary.

The department is extending its investigations to all US airports, from only four. The number of flights arriving within 15 minutes of their scheduled time dropped to only 66 per cent in December from 76 per cent in November and 80 per cent in October, reflecting in part bad winter weather.

American Airlines dropped to fourth place in the rankings from the top slot it had held since the government started publishing the monthly figures last September. Only 73 per cent of its flights arrived on time in December against 83 per cent a month earlier.

"Mother Nature wasn't too kind to us," it said of poor weather last month at its Chicago hub. Pacific Southwest was the worst of the 14 carriers reporting, managing to land only 57 per cent of its flights on time, down from 73 per cent in November.

Pan Am, the deeply troubled airline trying to piece together a financial rescue package, rose from eighth to first with a rate of 77 per cent, against 74 per cent. It also had the lowest mis-handled luggage figure of 4.14 bags per 1,000 passengers, compared with an industry average of 11.58 and 15.34 of bottom ranked Trans World Airlines.

FEUD ERUPTS IN LEADERSHIP

Trinidad ministers sacked

BY CANUTE JAMES IN KINGSTON

A SIMMERING feud in the leadership of the Trinidad and Tobago government has erupted with Mr Ray Robinson, the Prime Minister, sacking his deputy and two other Cabinet ministers.

The dismissals follow an effort by dissidents in the coalition National Alliance for Reconstruction government to unseat Mr Robinson after accusing him of ignoring advice from government ministers, and criticising his style of leadership.

Mr Basdeo Panday, the Deputy Prime Minister and Foreign Minister, said he was relieved to be out of the government because as a minister he "could not speak when things went wrong."

The other members of the Cabinet who were fired were Mr Kelvin Ramnath, the Public Utilities Minister, and Mr Trevor Sudama, the Junior Finance Minister.

The three dissidents are members of the former United Labour Front, one of the three parties making up the coalition which won a landslide victory in general elections 14 months ago.

Their dismissals, however, are not expected to present any immediate problems for the stability of Mr Robinson's administration, as there are no indications that other members of the ULF faction of ministers supported the dissidents.

Mr Panday had publicly said he had not been consulted by the Prime Minister on matters such as the appointment of the country's ambassadors. The former Foreign Minister was also upset by the government's recent rejection of an offer from the Indian government to build a cultural centre in Trinidad.

The ULF drew most of its support from Trinidad's Indian community which makes up just over a half of the 1.1m population.

The sackings comes amid increasing difficulty for Mr Robinson in handling the country's oil-based economy. The Prime Minister recently announced that he would seek help from the International Monetary Fund to compensate for a decline in earnings from oil. The petroleum sector, on which the economy is 80 per cent dependent, declined by 7 per cent last year, contributing to a 6.5 per cent contraction of the economy.

In an effort to shore up revenues, Mr Robinson has imposed new taxes to raise the equivalent of $305.5m this year – about one fifth off the government's projected recurrent expenditure.

Star Wars experiment 'a success'

THE US yesterday claimed success for a sophisticated Star Wars experiment aimed at proving the controversial missile defence plan can work, agencies report from Cape Canaveral.

A three-tonne military satellite which researchers say can emulate the functions of a low-orbit battle station was fired into orbit atop a Delta rocket on Monday in Nasa's first successful launch of the year.

The research satellite tracked 15 mock Soviet nuclear missiles around the globe yesterday in a major test for the plan to build a missile shield in space.

Seven sensors on the satellite and hundreds at ground stations gathered data that could help determine the feasibility of building a split-second response system in space and whether it could distinguish a real missile from a decoy

Giuliani quits race for Senate

By Roderick Oram

MR RUDOLPH Giuliani, the New York district attorney, is to continue his fight against corruption in Wall Street and local politics rather than run for election as senator.

"It would be wrong for me to leave this office now, whatever the allure of another office or opportunity, because it would adversely affect some very sensitive matters still in progress," he said.

Although his office and the Securities and Exchange Commission have scored notable coups with the convictions of Mr Ivan Boesky and other insider traders, the authorities have yet to deliver charges against a wider Wall Street circle.

Wall Street opinion is divided over whether the long delay has been caused by the complexity of the cases or by a lack of concrete evidence. Mr Giuliani said he would continue as the Federal prosecutor because he could not assure "an orderly transition" to a successor.

Senator Alfonse D'Amato, the New York Republican who would recommend a candidate to President Reagan, refused to allow Mr Giuliani a voice in the selection process. Mr Giuliani wanted Mr Howard Wilson, one of his assistants, to succeed him.

Mr Giuliani would have faced a tough election battle against Democratic Senator Daniel Moynihan, who is far better financed and leading Mr Giuliani two-to-one in the opinion polls.

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Japan offers Nigeria $200m loan

BY PETER MONTAGNON IN LAGOS

JAPAN has offered to make a $200m balance of payments loan available to Nigeria to supplement the $500m trade policy adjustment loan it expects to receive from the World Bank this year.

The Japanese offer is conditional on Nigeria receiving the endorsement of both the World Bank and the International Monetary Fund for its economic programme, but the funds would not be tied to Japanese exports.

An IMF team is due to visit Lagos this month to examine the programme outlined in January's budget address by President Ibrahim Babangida. The budget's Naira 2.5bn reflationary package will scutinised closely following fears that it could lead to a rapid increase in local prices.

Japanese officials here said that if the Nigerian authorities can allay these concerns at the IMF and World Bank,they will go ahead with their loan plan.

The money is expected to be made available from the Overseas Economic Co-operation Fund, which finances the country's foreign aid effort.

The loan would form part of Japan's current efforts to recycle its large balance of payments surplus to developing countries. It would have a long term maturity and bear a concessional interest rate.

One expectation is that the funds could be used to finance the regular auctions of foreign exchange by the Central Bank in Lagos. Currently the Central Bank is selling $115m each fortnight to private sector importers.

In the Lagos diplomatic community there is some surprise that Japan should be making a gesture to a country that takes only one tenth of a percent of its total exports.

Japanese banks were particularly reluctant to agree to Nigeria's latest commercial bank rescheduling package, and the Japanese government has still not signed its bilateral agreement with Nigeria on rescheduling of export credits following the Paris Club debt restructuring arrangement of December 1986.

The loan offer is a gesture that is likely to win for Japan considerable praise from other industrial countries such as Britain which is taken the lead in promoting economic assistance to Nigeria.

The Export-Import Bank of Japan has signed two loan agreements totalling $560m for power and railway projects in India, writes K K Sharma in New Delhi.

A $450m loan will be available for the National Thermal Power Corporation to meet part of the costs of the Rihand transmission project in Uttar Pradesh, the Farakka stage II project in West Bengal and the Ramagundam project.

The rest of the money will go to the Railway Finance Corporation for modernisation projects which are also being assisted by the Asian Development Bank.

The two loans, which are not tied to purchases of Japanese goods and services, are part of Japan's programme to recycle $2bn to the developing countries. An agreement on substantial further aid is expected shortly.

High tech companies warn EC on mergers

By David Thomas

TWELVE of Europe's leading information technology companies are warning the European Commission against a competition policy which hinders the formation of European companies powerful enough to compete with the Japanese and Americans.

The warning comes in a response to the Commission's plan to create a free internal market by 1992.

It is contained in proposals from the EC Roundtable, which draws together leading European high-tech companies. Its members are STC-ICL, General Electric Company and Plessey of the UK; Siemens, Nixdorf and AEG of West Germany; Bull, Thomson and CGE of France; Olivetti and Stet of Italy; and Philips of the Netherlands.

The companies believe it is crucial for EC-wide standards, particularly in telecommunications, to be agreed before 1992 and want governments to abolish national standards which inhibit free trade in the Community. Discussions on the draft paper have centred on:

● Cross-border mergers. The companies want all blocks on cross-border mergers and acquisitions removed. They say Japanese and US companies will provide sufficient competition even if one dominant European company or joint venture emerged in key areas of information technology.

● Research and development. The companies argue that EC research programmes falling under the Framework Programme should be extended beyond the pre-competitive stage to cover products with market potential. They cite electronic data interchange – the communication of trade information and documents electronically – as an example where European companies could collaborate in bringing products to the market.

● Public purchasing. The companies want EC governments to abolish remaining monopolies in telecommunications and argue for the liberalisation of telecommunications to be co-ordinated across the community.

They favour a new EC body, independent of network operators, to ensure that the fast growing area of sending business information over telephone lines, known as value added services, is open to competition.

Australian-Turkish power plant steams into trouble

Chris Sherwell reports on a hitch in plans to build a plant and supply it with Queensland coal

AN AMBITIOUS multi-billion dollar Australian plan to build a 1,400MW thermal power plant in Turkey and supply it for 25 years with Queensland steaming coal has run into political problems in Canberra and Brisbane.

The project is the most advanced of five "build-operate-transfer" proposals to build coal-fired plants at coastal sites in Turkey. It includes a port and a coal supply operation, and will be advantageously located in a free trade zone at Gazi, near Iskerendun, in the south.

Discussions have been under way for more than two years, and the latest hitch was perhaps inevitable in so elaborate a deal. It came last week, when the Queensland state government, a key participant, admitted it had cold feet and said it would seek federal government involvement.

The Queensland government is one of many parties involved in the deal, spread across Turkey, Australia, the US and Japan. At the deal's heart is a tiny Sydney consulting company, Seapac Control Services, which is putting it all together.

The project involves the guaranteed export of 3.5m tonnes of Australian coal per year for 25 years to fuel four 350 MW Turkish thermal power plants.

It enables Australia to diversify markets for the country's biggest export away from its biggest buyer, Japan. The port would be used as a stockpiling point to market coal throughout Europe and the Middle East.

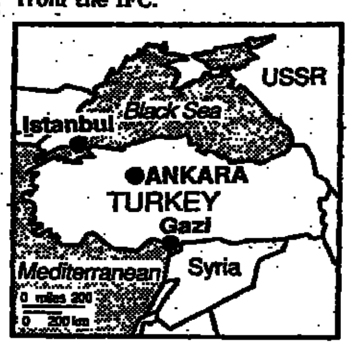
Under present plans, the Gazi port would be 70-80 per cent owned by Seapac, with the remaining 20-30 per cent held by Sabanci, a major Turkish company. Gama, a Turkish contractor, would build it. Total equity in the port would be around $70m, while borrowings would amount to $130m.

Ownership of the coal supply company would be split 75:25 between Seapac and Sabanci. It would have a smaller capital base than the port but a significant stockpile investment of $100m.

The most complicated element of the deal is the $1.2bn power plant. The main contractors are Chiyoda, Marubeni and Mitsui from Japan, while Hitachi Babcock would supply the boilers and Westinghouse from the US the turbines. Gama would be the local contractors, while Tokyo Electric would be the design consultants. Toshiba and Brown Boveri would supply the electrics.

As planned, 30 per cent of the $200m equity in the plant would come from Turkey, the remainder from the Japanese, US and Australian participants and from the International Finance Corporation, a lending arm of the World Bank.

Borrowings for the plant would amount to just under $1bn – about $600m from Japan, $150m raised by US participants and $100 by the Australians, with another $70m from the IFC.



First Boston of the US is advising Seapac on the financing of the deal and arranging credits. Eximbank in the US and its counterparts in Japan and Australia would all be involved in providing cover.

Until now the Queensland government had been expected to be one of the Australian equity participants, to the tune of some $60m. But that level of involvement was ruled out by last week's statement from Mr Mike Ahern, the state premier.

Mr Ahern was installed as head of government in December, following the sudden resignation of the maverick 76-year-old Sir Joh Bjelke-Petersen after almost twenty years in office. The autocratic Sir Joh had taken a close personal interest in the project, and his departure clearly made participation more difficult to secure. Queensland's treasury now has more clout, and the government, like its counterparts around the country, is strapped for cash.

In his statement, Mr Ahern said a treasury assessment of the proposed deal "indicated that the level of investment expected from the Queensland taxpayer and the projected returns "did not balance".

He also pointed out that some coal companies had "already indicated they were uncertain in relation to coal sales prices, and there was no guarantee of new mining infrastructure resulting from Queensland involvement."

Queensland coal suppliers say everything hinges on prices. As so far discussed, they suggest, these remain too fine for the plan to proceed. They also confirm that the project would not, as had been hoped, lead to the opening of new mines. One company official volunteered the opinion that the project would not go ahead.

Seapac has so far reached an "implementation agreement" with the Turkish government which amounts to agreement on the principle and substance of the project. Still to be settled are agreements on coal sales and shareholdings, which is where the coal suppliers and governments come in.

The closer involvement of Canberra seems likely to delay things further. Austrade, the federal department which would be involved in export insurance, is available to help but gives the impression there is a long way to go before it formally commits itself.

Key federal government officials go further. They are openly disdainful of the project in its current form, saying the economics don't stand up. If it is such a good project for Australia, they argue, the coal producers would already have signed up.

Nevertheless, senior Turkish officials believe the deal is still on course. Negotiations – said to be in their final stages – will restart in the next two weeks.

The officials do not seem alarmed at reports that neither the Queensland nor the federal government remain enthusiastic about the project. Even if export credit cover were refused by the Export Finance Corporation, the Australian part of the financing package is not large and could be replaced, they say.

Restructuring the financing arrangements could hold up the negotiations, however. A consortium led by the US's Bechtel has also been invited to talks in March. But the US-led group is still three months behind the Seapac venture, they add.

Norwegians seek Swedish gas sales

By Karen Fossli in Oslo

STATOIL, Norway's state oil company, is to begin talks today on selling gas to Swedegas, in which it owns a 15 per cent stake. Statoil, however, will face strong competition from the Soviet Union.

Sweden is to phase out nuclear power in the 1990s and wants to secure alternative energy supplies to fill the gap.

But it may be too late for Norway, which has vast gas reserves, to secure a niche in the Swedish gas market.

At best Norway may only be able to win a contract for annual deliveries of up 2bn to 3bn cubic metres per year.

The Soviet Union last month signed two letters of intent for gas deliveries. Under one agreement it will supply Sweden with 400m cu metres of gas a year for 25 years and under the second it will supply between 1bn and 1.5bn cu metres a year.

The Soviet Union may sell gas cheaply to the Swedes in order to win sales and expand bilateral trade.

Relations between Sweden and the Soviet Union have improved with the signing of the Baltic Sea demarcation agreement in January.

Boost for Third World trade

BY WILLIAM DULLFORCE IN GENEVA

THE WORLD'S richer nations expect to agree by the end of the year to remove barriers on imports of tropical products from the Third World. Negotiators in Gatt's Uruguay round last week staked out a programme which should result in an agreement being ready for world trade ministers to approve when they meet in Montreal early in December.

Under the programme countries will submit lists of tariff or other measures on specific products which they want scrapped or are willing to scrap. The lists will be submitted to the negotiating group on tropical products by the end of March.

Two rounds of multilateral consultations will follow in June aimed at the fullest liberalisation of trade in tropical products.

At a meeting in July the negotiating group will review the results and arrange for final detailed negotiations in September-November. The intention is to achieve concrete results before the end of 1988 followed by their earliest possible implementation.

At the launch of the Uruguay round at Punta del Este in 1986 trade ministers agreed to give priority to liberalising the $60bn-a-year trade in tropical products, which is vital to developing countries.

Last October the European Community offered to remove or reduce trade barriers. The US has also agreed that barriers should be phased out quickly.

Gatt lists seven categories of tropical products ranging from coffee and cocoa to vegetable oils, tobacco, fruits, nuts, spices, rice, manioc and other roots to rubber, jute and woods.

Developing countries are calling for barriers to be dismantled across-the-board, arguing that they have been promised such concessions for years. Their major trading partners, however, differ in their approaches.

Both the EC and the US are asking developing countries to provide additional data on their products, a step which some developing countries see as a preliminary to demands for concessions.

KWU signs nuclear deal with Skoda

BY DAVID GOODHART IN BONN

KRAFTWERK Union (KWU), a division of the West German giant Siemens, has signed a contract to supply nuclear power plant equipment to Skoda.

The deal with the Czech company, an important supplier to the Soviet nuclear industry, could open a new phase in flows of civilian nuclear power technology and expertise from west to east.

The KWU umbrella agreement follows last month's official visit to Czechoslovakia by the West German Chancellor Helmut Kohl. KWU already exports equipment for servicing and monitoring nuclear power plants to Skoda but the business represents less than one per cent of its DM 5bn turnover, a disappointing figure in the light of business expectations raised after the Chernobyl disaster. The latest deal should at least double the volume of business.

A greater flow of civilian nuclear expertise is also an issue in discussions between Mr Lothar Spaeth, prime minister of the state of Baden-Wuerttemberg, and Soviet officials in Moscow.

Mr Spaeth yesterday met Mr Mikhail Gorbachev, the Soviet leader. He also signed a memorandum on economic co-operation and the fifth of the joint venture agreements between Baden-Wuerttemberg companies and Soviet enterprises. This latest involves the German shoe maker Salamander.

Since its 1985 industrial fair in Moscow, Baden-Wuerttemberg has been pursuing closer trade ties with the Soviet Union. State officials believe that its small-scale, highly specialist, industrial base makes it well suited to profit from Soviet economic reforms.

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Health unions call for further round of protests

BY DAVID BRINDLE, LABOUR CORRESPONDENT

TRADE UNIONS representing the 1m National Health Service employees acted yesterday to pile further pressure on the Government over its policies, pay and funding for the National Health Service.

Cohse, the health workers' union, called a national "day of protest" on March 14, the day before the UK budget, on top of action planned in London next Tuesday.

The Royal College of Nursing, which is preparing to ballot members on calls to scrap its no-strike policy, announced a wide-ranging protest campaign running up to and beyond the budget.

In an unprecedented move, the college, which is not affiliated to the Trades Union Congress umbrella body, declared "full support" for the TUC's national health service demonstration in London on March 5.

The TUC's north-west region is co-ordinating a series of protests today. About 2,300 members of the Transport and General Workers Union at Vauxhall Motors' Ellesmere Port plant voted yesterday to strike for 24 hours today in support of the regional protest.

Mr Kenny Moran, senior TGWU shop steward, said: "Everybody's got the same feeling about the decline of the NHS. We will support the nurses in a march around Liverpool hospitals tomorrow."

Vauxhall said the action, which has not been backed by a lawful secret ballot, would cost the production of 200 cars.

In Scotland, meanwhile, an estimated 2,000 health workers in Glasgow, Dundee and Edinburgh were on strike yesterday, mainly over compulsory competitive tendering of NHS services to the private sector. The Scottish TUC is organising a rolling programme of strikes over the Government's insistence that health boards invite tenders for hospital ancillary services.

In Wales, 83 Cohse nurses at the Caerphilly Miners Hospital in mid-Glamorgan, will today take novel action to draw attention to staff shortages by each working four hours' overtime for no pay.

The fresh upsurge in protest activity suggests that the Government by no means survived the worst last week, when thousands of health workers went on strike for a day or joined demonstrations.

Union leaders believe there is a rich vein of public sympathy to be tapped in the run up to the budget. Mr Hector MacKenzie, Cohse's general secretary, said yesterday: "Cohse is saying to the Government: Instead of lining the pockets of the rich with tax handouts, consider the plight of the poor, the old and the sick who depend on the NHS."

Cohse's announcement of its planned action on March 14 caught the other health unions by surprise, however, and Mr MacKenzie was called to account last night when he attended a meeting of health union leaders with Mr Norman Willis, TUC general secretary.

Mr Willis is anxious to maintain a united front and to keep the focus on the March 5 demonstration. The TUC's health services committee is due to meet today to discuss further joint action.

Feona McEwan and Alan Pike report on the shift to private insurance in Britain

Patients insure against hard times

A room in a Chancer private hospital

AS ALARM BELLS sound over Britain's public health service, bells of another kind are ringing loudly in the private sector.

The crisis in Britain reached a climax last week when some nurses took industrial action to protest against low wages and proposed changes in the National Health Service. This raised serious questions – and fears – about the state of Britain's health sector.

Leading private health insurance organisations have been inundated with inquiries from companies and the public since the start of the year.

Private Patients Plan (PPP), one of the big three provident UK insurers, reports a 45 per cent increase in public inquiries at its Eastbourne clearing office during January compared with the same period last year. "It has to be put down to fear basically," says the company. "People are worried about the National Health Service."

Western Provident Association, another of the three which provides cover for 500,000 people, says inquiries have doubled in the last few weeks.

British United Provident Association (Bupa) the UK's leading health insurer, says there is a surge of interest every time there is a furore over the NHS.

Some of the increase in interest in private health insurance pre-dates the highly publicised crisis over NHS funding.

There was a spurt of growth in private health insurance in the UK between 1979 and 1981 but this then slowed. Last year, however, PPP added 64,000 subscribers to its books, a record 12.5 per cent increase compared with 9 per cent the previous year. Counting family members, this added about 250,000 individuals to its 1m-strong customer base.

Differing claims are made about the precise proportion of Britain's population covered by insurance schemes but it is around 9-10 per cent. Laing's Review of Private Healthcare, one of the authorities on the sector, estimates that the recent annual growth rate in people covered by insurance has been 3 per cent.

The insurers collected an estimated £612m in subscriptions in 1986 and paid £513m in benefits. It is estimated that about 70 cent of treatment in private hospitals is financed by insurance.

One of the central issues in the debate over health care financing is that health inflation runs at a higher rate than general inflation and private health insurance subscriptions have not been immune from this trend. So the recent 3 per cent annual growth rate has to be judged against a background of rising subscriptions.

"More companies are becoming aware that if they can keep a fit staff there is less absenteeism, which costs the country millions every year," said Bupa.

Bupa says it attracted new business from 4,000 companies last year. This is in addition to 44,000 companies already covered, ranging from multinationals to family businesses with five or six staff.

Increasingly, new business in the corporate sector has come from smaller companies. Mr David Ashdown, marketing manager of Western Provident, says there has been a notable increase in this area.

Most of the recent market growth has come from companies purchasing insurance plans on behalf of employees. This has led to some independent hospital operators accusing the insurers of spending too much time competing for corporate clients, rather than devising schemes to enlarge the market among individual subscribers.

In a direct attempt to increase the private market, Nuffield Hospitals, which runs the greatest number of private hospitals in the UK, and Crusader Insurance combined last month to launch a lower cost insurance scheme aimed directly at private individuals.

Competition between the big three non-profitmaking organisations – Bupa, PPP and Western Provident – and about 20 commercial insurers has sharpened in the past five years.

Potential consumers have been increasingly exposed to mailshots and advertising. But the private insurers do not tend to see themselves as competing with the NHS. "I hope we can sit alongside the NHS," says Mr Ashdown, "never instead of it."

The stronger involvement of the commercial sector, which includes some US operators, has put pressure on all insurers to draw in new and younger subscribers. Hence the recent marketing drives, which the insurers deny are an attempt to exploit possible public doubts about the state of the NHS.

Bupa insists its current advertising campaign – which has included a television commercial in the primetime News at Ten programme when the NHS has frequently been a prominent news item – is not a reactive move to cash in on the NHS's problems. The campaign, which carries the slogan "Britain feels better for it," was devised many months ago.

Mr Oliver Rowell, general manager of Nuffield, does not envisage any major growth in the number of private hospitals which deal with short-stay cases – just over 200 at present – but he does believe the concentration of their ownership in the hands of large organisations will continue.

Harwich seamen vote to end strike

By Jimmy Burns and Raymond Hughes

ONE of the main focuses of resistance within the National Union of Seamen to a High Court injunction which has ordered the union to end its strike disappeared yesterday when hard-left led seafarers at the port of Harwich voted to return to work.

The decision is likely to affect the outcome of legal attempts by Sealink UK to seek sequestration of all or part of the union's £2.8bn assets in punishment for alleged contempt of court.

The High Court is to continue today to hear legal argument by lawyers for Sealink UK and the NUS.

Mr Mark Potter, counsel for Sealink, said yesterday that it must have been obvious to the NUS that the original national strike call raised legal issues about primary and secondary industrial action and the need for a strike ballot.

"The strike was called as a matter of deliberate policy," Mr Potter said.

But he told Mr Justice Michael Davies that events at Harwich could affect the progress of the hearing as the prime purpose of the company's legal moves was to get striking seafarers back to work.

The NUS leadership has argued that it has done everything within its powers to get members back to work. The Harwich seafarers voted to end their strike after being repeatedly warned by their officials that their continuing action could be construed as illegal and risked damaging the union.

The union is hoping that within the next 48 hours about 900 seafarers still striking at Larne, Liverpool, Fleetwood, and Holyhead will also return to work.

This will leave about 2,000 NUS members employed by P&O European Ferries on strike in Dover. P&O accepted in the High Court on Monday that the strike was primary industrial action in protest over the company's proposals for a new working agreement based on a reduction in the number of crews.

P&O faces widening opposition to its plans after Numast, the officers union, voted in a mass meeting yesterday to reject the proposed new crewing arrangements.

Inner cities allocated £259m

By Feona McEwan

THE GOVERNMENT yesterday allocated £259m to help revitalise Britain's run down urban areas.

The move, one of a series of grants for inner cities, was announced by Mr David Trippier, a junior minister at the department of the Environment with special responsibility for the inner cities.

The money, covering the financial year 1988-89, will support 57 projects in the Government's Urban Programme.

This is a special allocation of funds aimed at stimulating economic recovery, improving the environment in urban areas and dealing with social problems.

The allocation is marginally less than last year's Urban Programme, because more money has been diverted into urban development corporations. Government spending on inner city renewal has risen this year.

Scots board acts on coal tender threat

BY JAMES BUXTON

THE SOUTH of Scotland Electricity Board formally implemented yesterday the threat it made last week to invite tenders for its coal supplies from both state-run British Coal and other coal suppliers.

The board warned last week that after April 1 it would seek to take coal from other coal suppliers unless British Coal lowered its prices by 10 per cent.

Last night British Coal said it was disappointed with the SSEB's decision. It said it had offered the SSEB a deal which included selling 2m tonnes of coal at a price matching the international coal price.

The average level of prices in the deal it is offering is unchanged from the level it is currently charging.

The SSEB's threat to seek tenders last week provoked an angry response from British Coal and aroused heavy criticism from opposition politicians and trade unions in Scotland.

Yesterday the SSEB said that it wanted coal suppliers to state the source of supply of the coal. Its list of "preferred sources" does not include South Africa, it said.

The SSEB said last week it would invite tenders for its coal supplies because it said British Coal was not only refusing to reduce its prices for coal from April 1, but was insisting on increased prices.

SSEB said this would mean electricity customers having to pay £50m more for their supplies than they would if the board obtained coal from other suppliers. The board said that British Coal's prices are about 30 per cent above international coal prices.

British Coal said that if the SSEB agreed to buy the same amount of coal as last year, the overall price would be 25 per cent lower in real terms than the price charged three years ago.

City of London sees further 120 jobs go

BY DAVID LASCELLES, BANKING EDITOR

ONE hundred and twenty more jobs have gone in the City of London as the market collapse continues to take its toll.

CL-Alexanders Laing and Cruickshank, the investment banking subsidiary of Credit Lyonnais of France, dismissed 85 people yesterday to save costs. The jobs were mostly in settlements, computer operations and support services.

Mr Mark Powell, the chief executive, said that the cuts were "a considered reaction to lower volumes," but he stressed that they would not affect the company's services to clients. Of the total, 74 were redundancies and the remainder natural wastage.

He said: "We were waiting to see what 1988 brought. And the answer is not much." CL-Alexanders Laing and Cruickshank, which Credit Lyonnais bought at the end of last year, was losing money, he said. Its total payroll is about 1,500

County NatWest, the investment banking arm of the NatWest group, also confirmed yesterday that it had cut 32 people from its technical staff, though some might be offered jobs elsewhere in the group. The job losses were the result of a rationalisation of central support services following a review launched last November. They come on top of 165 dismissals announced last month.

The total number of job losses announced in the City since the market crash in October now exceeds 2,000, and many people believe the process of staff cutbacks is not yet complete.

UK NEWS

Airlines urged to raise crew for long-haul flights

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH airlines flying the latest types of airliners – either two, three or four-engined – over long distances are in future likely to have three pilots on the flight deck, instead of the two for which those aircraft are primarily designed.

This proposal, which is likely to increase the already growing demand for pilots, is being put forward for discussion by the Civil Aviation Authority and airlines and pilots' professional bodies, with the aim of making a third pilot mandatory for some very long-distance flights.

The plan stems from concern expressed both in the UK and other countries, including the US, that when many of these modern airliners, especially the new twin-engined types such as the Airbus A-300 and A-310 and the Boeing 757 and 767, are flown long distances non-stop, the strain on the two-pilot crew becomes formidable.

These aircraft, and other new types now under development, such as the Boeing 747-400 Jumbo, the four-engined Airbus A-340 and the three-engined McDonnell Douglas MD-11, are all designed for two-pilot crews as an economy measure, to reduce overall operating costs and increase airline profits.

This is based on the fact that these aircraft have "electronic flight decks," where much of the work is done by computers, with the pilots acting as monitors. The manufacturers claim this enables the airlines to dispense with a third crew member, either a pilot or flight engineer.

THE CIVIL Aviation Authority has asked the Department of Transport's Air Accidents Investigation Branch to join the inquiry into Saturday's near-collision between a British Airways TriStar and a Bulgarian Balkan Airlines Tupolev 154 airliner over South-East England, write Michael Donne and Tom Lynch.

Mr Paul Channon, the Transport Secretary, told the House of Commons that its report would be published. Acknowledging that this was "a very exceptional measure," he told MPs: "It is right that the public should have the full facts placed in front of them. If there are reasons for public anxiety they must be tackled and dealt with."

Both airliners were en route to landing – the TriStar at Heathrow airport west of London and the Tupolev at Gatwick south of the capital – when quick action by the Tristar pilot narrowly avoided a collision at 15,000 ft. A total of 500 passengers were aboard the two aircraft.

The CAA has suspended two air traffic controllers on duty at the time at the West Drayton air traffic control centre which handles London flights. It has also ordered an immediate investigation by the Joint Airmiss Working Group.

The professional pilots and flight engineers' organisations have disagreed, arguing that on long-distance flights, especially at night and over oceans, the workload remains high and that a third crew member remains desirable – either a flight engineer or a third pilot.

In some countries (not the UK), these differences of view have brought some airlines to the brink of damaging industrial disputes.

The Civil Aviation Authority is anxious to avoid this in the UK. It admits that, so far, only a few British airlines have exploited the possibilities of using these two-crew airliners for long non-stop flights, but says it is becoming increasingly likely that in the years ahead more airlines will buy such aircraft.

British Airways has already ordered both the Boeing 767 and the 747-400 Jumbo, designed for two-pilot crews. British Caledonian, now owned by British Airways, has ordered the MD-11, while BA itself is now also studying the A-340.

The Civil Aviation Authority now says it recognises that pilots of two-man crews on long distance flights "cannot be expected to work for long periods without breaks for meals and other physiological needs."

It is thus proposing progressively to restrict the length of a permitted flying duty according to the distance flown.

Barclays starts grant database

BY CHARLES BATCHELOR

BARCLAYS BANK, the UK clearer, has launched a Grant Advisory Service to direct its business customers to European Community, government and private sector grants and loans which they may otherwise have overlooked.

About 300 grants and soft loans are available in Britain from 40 different organisations but many are not taken up because companies are unaware they exist or they are too difficult to apply for, Barclays said.

The new service, unveiled yesterday, is to be run jointly with Deloitte Haskins & Sells, the accountancy firm, and will use a computer database created by the University of Strathclyde in Scotland.

Numerous publications on loans are available to businessmen but they are out of date as soon as they are printed, according to Mr Alan McFetrich, managing partner of Deloitte. The Strathclyde database will be updated overnight to ensure it is up to date.

The service, which is free, is available through Barclays branches. Branch managers will forward requests for information to Deloitte, which claims to be able to answer 90 per cent of queries by letter direct to the applicant within 24 hours.

Barclays said that a six-month pilot exercise in three areas of the UK – Preston in the north west, South Wales and Luton north of London – had produced 150 loan applications of which 30 were virtually certain to qualify for help, 75 were possibly eligible and 35 were not eligible.

Barclays expects to handle 3,000 applications for some form of aid in 1988.

• The Dover and Thanet districts of Kent have been designated as qualifying areas for special European Coal and Steel Community loans because of coal pit closures in the area and the possible negative impact on this part of Kent of the Channel Tunnel.

In Brief

Olivetti wins £36m computer contract

British Olivetti, UK subsidiary of the multi-national Italian computers and office equipment company, has won a contract valued at £36m over three years to maintain Barclays Bank's personal computers, minicomputers, office equipment and electronic service tills writes Alan Cane.

The contract, thought to be one of the largest of its kind placed in the UK, is an example of a growing trend towards "one-stop" shopping for computer maintenance.

Barclays Bank said yesterday that the single contract with Olivetti replaced agreements with 270 separate suppliers.

Mr Terry Hannington, Olivetti marketing manager in its customer support group said he believed the Barclays deal put Olivetti among the top three third party maintenance companies in the UK.

Moonies challenge

The Attorney-General, Sir Patrick Mayhew, counsel for the state, was formally given leave to drop two High Court actions, aimed at challenging the charitable status of the Moonies religious sect because he considered that the available evidence fell short of what was needed to establish the Attorney's case.

UK wheels deal

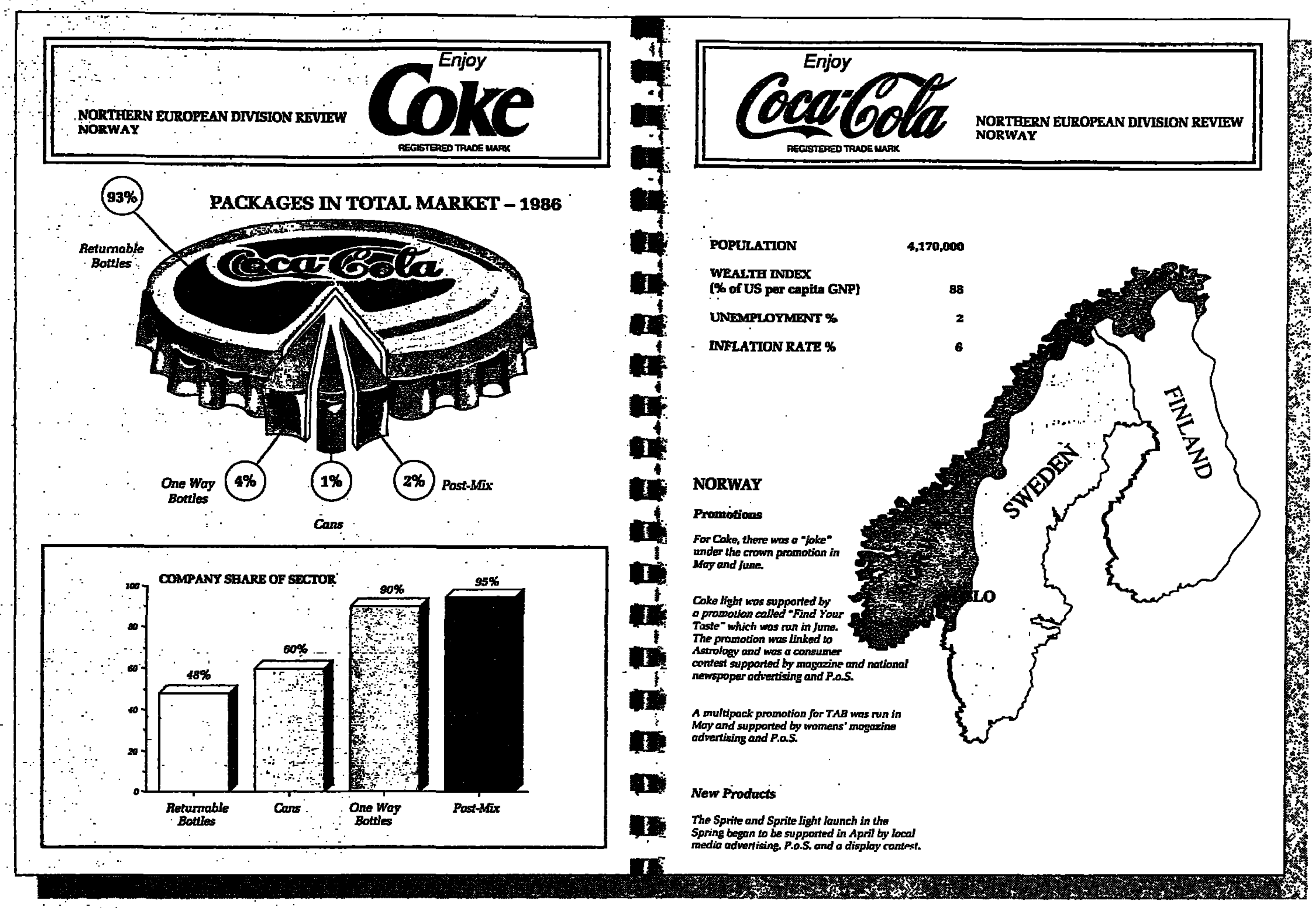
Aveling Barford, the Midlands-based construction equipment maker has reached a manufacturing and marketing agreement with Kawasaki Heavy Industries of Japan to make Kawasaki wheel loaders which will be sold under the Aveling name into the UK market and replace Aveling's current range of wheel loaders. Aveling will also supply Kawasaki with a range of dump trucks to be manufactured and sold in Japan.

£10m tool plant

SKF & Dormer Tools, the leading supplier of cutting tools in the UK market, is to build a new production plant in Sheffield, at a total investment of £10m. The company, part of the SKF group of Sweden, plans to open the plant in the middle of next year and employ about 300 people, transferred from the company's existing city-centre site.

صكذا من الاصل

Macintosh stops Coke documents going flat.



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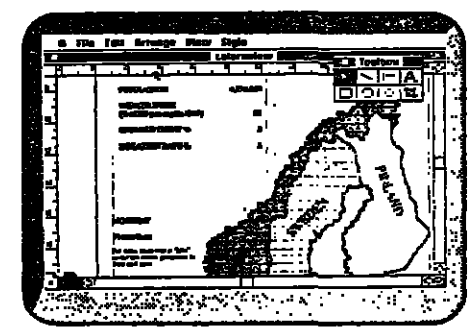

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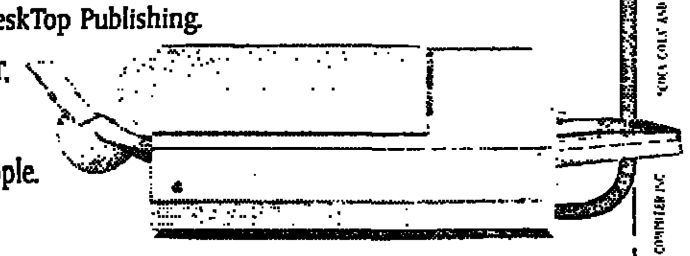

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UK NEWS

THE FORD DISPUTE

German plants feel the bite

BY HAIG SIMONIAN IN FRANKFURT

SPOKESMEN at Ford-Werke in Cologne, headquarters of the West German subsidiary of Ford Motor of the US, were trying to put a brave face on it yesterday. But the strike which has brought the group's UK plants to a standstill has already begun to bite on the continent.

Production of Transit vans at Genk in Belgium, which comes under German management control, was halted yesterday because of a lack of sheet metal parts from Dagenham.

Meanwhile, production of Escort and Orion cars at the Saarlouis plant on Germany's western border with France has been cut to 1,000 a day from the normal 1,350 as an indirect consequence of the stoppage.

Ironically, the strike in the UK, previously Ford's most profitable European operation, could soon endanger the earnings of Ford-Werke, which only ended two years of heavy losses with a net profit of DM587m (£197.6m) in 1986.

Ford-Werke employs almost 47,000 people at Cologne, Saarlouis and Genk, as well as at three component factories in Germany. The group produced almost 896,000 cars in 1987, almost 67 per cent of which were sold abroad, making it Germany's second-biggest car exporter.

Figures for 1987 will not be available until later this year, but the company, which took 10.4 per cent of the German car market last year, has predicted a continuation of its positive growth trend.

The speed with which the UK action has hit Ford's continental plants testifies to the progress which it has already made in its attempts to match Japanese productivity standards, notably in terms of keeping stocks of components at its assembly plants to a minimum.

What that means in the event of a stoppage somewhere along the chain, however, is that assembly of certain models can very quickly come to a halt.

According to Mr Udo Rheinhold, company spokesman, it is company policy not to depend on one source of supply for vital components. However, the speed with which the dispute has hit Ford's continental plants suggests otherwise.

Ford's UK factories are the sole source of three important types of engines for versions of the Escort, Orion, Fiesta and Transit models.

Each of these models is also available with other engines, allowing the group some flexibility in shifting production patterns to models powered by either Cologne or Valencia-built engines.

Thus Fiesta, Escort and Orion models can still be produced on the continent using engines made at Valencia. Similarly, Transits could still be made at Genk using engines made in Cologne, were it not for the lack of UK sheet metal parts. Ford's UK plants also supply accessories for other models.

However, some models will be unscathed. The Cologne-built Scorpio comes only with a choice of locally-made engines or a Peugeot diesel. Similarly, Sierras made in Genk are powered either by Cologne-built petrol engines or by French diesels.

Thus, the biggest problem for Ford-Werke is to shift production patterns towards models which do not need UK parts, according to Mr Rheinhold.

That in itself will be difficult, but there is also the danger that supplies from Cologne and Valencia may not be sufficient to keep the production lines moving at their normal speed.

Moreover, fitting cars with German or Spanish engines will not give the company the ideal product mix across each range. Cars could be stockpiled in the short-term, but production for production's sake would not necessarily be desirable if the strike were to last.

Ford's decision to cut output at Saarlouis had been a possibility for some time as the company planned a series of courses for production workers with training about quality circles and ways of improving productivity.

But the fact that the group decided to move the courses forward by about three weeks indicates it had been preparing for the worst.

The Saarlouis works will continue at a lower output while the special training takes place. Meanwhile, the working day is also being cut by 90 minutes.

Ford's Cologne plant, its biggest in Germany with almost 26,000 workers, should come off relatively lightly. Only Fiesta production is vulnerable to the lack of UK-built engines.

Meanwhile, Ford's German workers are puzzled by the stoppage, according to a company spokesman. "They can't understand how there can be no unity between the union leadership and workforce," he says.

A worker checks figures at the Ford plant in Genk.

Anti-strike workers stay out

BY JOHN GAPPER

A UNION flag flapped in the breeze above a sign declaring: "Southampton – Home of the Transit." Behind it, a plant whose workforce voted decisively against a strike to resist Ford's three-year pay offer stood silent yesterday.

It is an unlikely setting for such conflict. A trim suburb is having to adjust itself to the sight of pickets.

For the moment, the possibility of the strike being broken seems remote. The 1,671 workers who voted to accept the offer are making the most of their unexpected spare time. None has tried to cross the picket line.

Mr Robert Jones, a 33-year-old assembly worker, voted to accept the offer. Mr Jones, who had wandered out for a drink at lunchtime on the strike's second day, felt that some of the plant's older activists had misled younger workers about the terms of the offer and encouraged resistance to it.

A 52-year-old skilled maintenance worker also voted to accept. As a member of the Amalgamated Engineering Union, he was in a minority. AEU members voted to reject the offer by 115 votes to 67. Semi-skilled workers in the Transport and General Workers' Union voted to accept by 1,604 to 604.

He thought that the 88 per cent majority in the first ballot had been intended as backing for national negotiators rather than for a strike. Nevertheless, he would not cross the picket line.

Among the pickets there were reservations about the stance taken by the veteran plant convenor, Mr Steve Stanford, who is a member of the Ford national joint negotiating committee. Several felt that the workers had followed his lead in voting against action.

Picket line spirits were aided on the first day by cups of tea from the canteen and five rabbits roasted on top of the brazier. Yesterday, the going was tougher – the rabbits were gone and tea was being brewed in a saucepan.

In a portable cabin nearby, Mr Stanford was unwilling to discuss the mass meeting, or the strike.

Fledgling Nissan plant offers painful yardstick

Kevin Done visits a Sunderland car plant which is changing UK motor industry rules

WHILE Ford's strike-bound car plants stood silent yesterday another 209 cars rolled off the Nissan assembly lines at the Japanese motor manufacturers' fledgling plant in north east England.

"We are Brits. Not Nips," protested one banner held by Ford pickets outside the company's Dagenham works, but to Nissan's British work force in Sunderland the distinction must appear rather quaint.

Many of the flexible working practices resisted by Ford workers have already been introduced successfully at the Nissan plant, painfully illustrating the competitive gulf that Ford managers must still persuade its reluctant workers to cross.

The Nissan plant represents no revolution in automation or robotics, "We are not a high-tech plant," says Mr Clive Griffiths, general manager of the body shop, but it has set new standards in working practices which represent a formidable challenge to the UK's traditional car producers.

Nissan has started, admittedly, with a green field site unhampered by any of the unhappy legacy of past UK motor industry conflicts, but it is still proving that flexible working methods can be introduced successfully into a British car plant.

Many of the reforms Ford management has sought in its protracted negotiations with the UK unions were established at the outset in Sunderland.

The hiring of temporary workers to meet peak demand – an early sticking plant in the Ford negotiations – is an established part of Nissan planning.

The 1,150 workforce will grow by 8 to 9 per cent from April to July, said Mr John Cushnaghan, production director of Nissan Motor Manufacturing (UK), to raise output before the August new car registrations.

The temporary workers will be trained for the first months and then be taken into full employment from May to July.

Nissan, which started production of its Bluebird model range in mid-1986, is planning to produce around 50,000 cars this year at the Sunderland plant, with production rising to 100,000 in 1990.

Nissan has established common terms and conditions across the whole work force which other UK car makers still bedevilled by demarcation lines can only dream of.

There are only two grades of staff, manufacturing staff which include team leaders, and technicians. The technicians are expected to be multi-skilled so there is no demarcation between them and they can also be called upon to work directly on the assembly line if necessary. Assembly line workers carry out much of the first line maintenance themselves and are their own quality controllers.

All workers get sick pay from the first day of illness and there is private health care. The whole workforce, including managers and directors as well as male and female clerical staff, wear the same blue overalls and there are no preferential car park spaces for the directors. All share a canteen.

The company insists it has not simply transplanted Japanese methods, but has also drawn from the best of UK, American and German practices and has jettisoned some of the more obvious Japanese methods. There are no morning exercises or company songs before shifts.

Pay talks are handled through the works council with elected members of the work force negotiating with management. Nearly a quarter of the workers are in the Amalgamated Engineering Union, but the union has no negotiating rights, it only ratifies the final agreement.

Word puzzle ● What candidates want in ads

BY MICHAEL DIXON

HOW ABOUT 'Charlatanry'?," suggests a certain Guy Coleman of north London. In doing so, he brands himself as the cruellest of the 32 readers who have answered the Jobs column's plea for help in finding a new name for a business activity now widespread in Europe.

The business consists of assisting people who have been fired or otherwise run into job difficulties to re-establish their careers. And, as I said when making the plea five weeks ago, Europeans engaged in the trade mostly dislike the word by which it is usually known – namely, "outplacement" – which was imported from the business's birthplace in the United States.

Mr Coleman's proposal is not, of course, a term that any of them will like any better. Nor is it one that fits the majority of companies in the trade. In Europe, at least, they mostly provide a reputable service that is already much needed and looks likely to become more so as the ways in which work is organised and the skills required to do it change in the wake of technological and economic upheaval.

Admittedly, the business harbours some outfits guilty of substandard and occasionally of dubious practices. It seems likely, although I don't know for sure, that Guy Coleman has fallen victim to one of that kind. If so, he - like all other potential customers of such companies – would do well to look out in future for the four warning signals listed in this corner of the FT on July 15 last year. They are:

1.- A claim by the company that it has access to the so-called hidden employment market through influential contacts which cannot be checked.

2.- A claim that the company has a very good job-placement record because it makes sure to accept only high-quality people as customers in the first place.

3.- A style of interviewing that casts doubt on the value of qualities which the customers see as their strengths while emphasising other qualities that they would depend on the company to market for them.

4.- A request for a large payment in advance.

Even if Mr Coleman has suffered at the hands of one of the shysters, however, it is no reason for giving a bad name to the trade as a whole.

The trouble is that, despite great inventiveness on the part of some of the other 31 readers who replied, I doubt that any of them has come up with a name for the business that companies in it would generally wish to adopt.

An example is the proposal by a lady in West Germany of "CREAM counselling", in which the first word stands for "career rebuilding, education and motivation". That covers the ground all right. But unless the detailed meaning of the key word was always explained, which would surely make the title prohibitively long, it would not convey to anyone who didn't know already what the trade was about.

A more promising term, suggested by seven people, is "career bridging". A further eight – noting that one fault of the word outplacement is that it puts the emphasis on "out", as in outcast – propose a simple alteration to "inplacement".

Although that would get rid of the unfortunate emphasis, however, I doubt that it is a *sufficient improvement* on the present term to serve as a substitute. After all, as one member of the trade points out, for all the shortcomings of "outplacement" its meaning is well understood by everyone in personnel management, at least.

"I suspect we are in danger of over-analysing the implied meanings of the word rather than treating it as a cipher," he adds. "The individual comes to us for help, we provide it. A rose by any other name...."

Seekers' wishes

ONE of the things job-seekers most often complain about to this column is advertisements that tell them pretty well everything about a post on offer except what they want to know. So there will no doubt be a widespread welcome for an initiative recently taken by the MSL International recruitment consultancy.

It has surveyed about 220 managers and key specialist workers who have come to its British offices as candidates, asking them which sorts of information a job ad needs to provide in order to attract them strongly to apply. The results of the study, when set against those of a similar survey MSL made in 1972, show some marked changes in ambitious executives' concerns.

Top of the poll in the latest exercise is the starting salary figure, which was ranked among the most important items of information by three quarters of the candidates compared with two thirds of a similar number 16 years ago.

Second comes the "status" of the job-title - as measured by the added value it would give to a curriculum vitae - with a 73 per cent score as against 59 in 1972. Next is details of the practical experience sought by the employer with 67 per cent compared with 63.

Fourth at 61 per cent is the location of the work, which took second place with 75 per cent before. Fringe benefits came fifth with 59 per cent whereas 16 years previously they were ranked lower than anything except social and recreational facilities, with a mere 25 per cent score.

The only other item viewed as important by more than half of present candidates is a list of the aims the recruit is expected to achieve. In 1972 that item headed the league with 81 per cent.

In the view of Barry Curnow, MSL International's chairman, the changes in the ranking show the "meritocratic attitude of many of today's managerial job-seekers for whom direct reward, recognition of status and a performance-related work environment appear to be emerging as prerequisites for a move. The ambitious applicant now demands measurable gains from an employer *before* moving."

The consultancy's experience is that the typical manager in the £25,000-£30,000 bracket will no longer make a change unless it guarantees a salary advance of £6,000.

Bio-technology

RECRUITER Alan Forrest of Strategic People consultants seeks a sales manager for the OROS Systems biotechnology company in Slough. Founded in 1986, it is about to launch its first product on international markets.

The product, called ManLab, is a highly economic means of making purified "monoclonal antibodies" which enable drugs and the like to be directed to precisely the right target. The device sells for about US$100,000 and is aimed at pharmaceutical and chemical companies, particularly in America, Europe and Japan.

The incoming sales manager will lead the marketing effort everywhere except the US, starting with helping managing director Glyn Edwards to identify key customers and decide whether it is best to employ distributors or direct sales staff in the different countries.

Candidates should have a qualification in engineering or science and have succeeded in selling high-value equipment, preferably instrumentation, to customers in Europe and the Far East. While knowledge of bio-technology is not needed, experience in pharmaceuticals or chemicals would help.

Salary £25,000-£30,000 with "fully expensed" two litre car and, subject to good results, share options within a year.

Inquiries to Alan Forrest at The Range, Dockett Eddy Lane, Shepperton, Middlesex TW17 9NT; telephone Chertsey (0932) 563213 or 567257.

Finance chief

A QUALIFIED accountant with impressive experience in senior financial management is sought by headhunter Michael Hann of Bull Thompson and Associates for a fast-moving consumer-goods company in north London. As he may not name his client, he promises to respect any applicant's request not to be identified to the employer at this stage.

Other needs are familiarity with manufacturing and proven commercial acumen.

Pay indicator is £30,000. Perks include car.

Inquiries to Mr Hann at 63 St Martin's Lane, London WC2N 4JX; tel 01-240 3561, telex 299701.

Major Insurance Group

Investment Research Manager

Aged 24/28 c £27,000

The UK subsidiary of an International Insurance Group seeks a Research Manager to support its City based Investment Management operation. As this department has recently been created, there is considerable scope for the research capability to be developed.

Funds under management are predominantly fixed income and the jobholder's main responsibilities will include decision support analysis, asset allocation and portfolio strategy, performance measurement and development of internal systems.

Candidates are likely to be highly numerate graduates in their mid-twenties. They should have some familiarity with fixed income investment, be computer literate and possess an analytical approach to problem solving. Some technical training will be provided.

The company offers a negotiable salary in the region of £27,000 and excellent benefits including a subsidised mortgage facility.

Please reply in confidence to Caroline Magnus, quoting ref. 869, at Overton Shirley and Barry, Prince Rupert House, 64 Queen Street, London, EC4R 1AD. Tel: 01-248 0355.

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Having recently moved into attractive new offices to accommodate expansion, we invite interest from professionals with substantial experience in Executive Recruitment, preferably although not necessarily, in the Financial Markets. In joining us you would become part of an established, professional group which together comprises a team of unusual enterprise and energy and whose regular clients include some of the City's most eminent names. You would have the freedom to work on your own initiative in your own market and with discretionary management of a substantial budget. If you would like to discuss this opportunity in complete confidence please write or telephone **John Sears, Managing Director, John Sears and Associates, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP. Telephone 01-222 7733.**

John Sears and Associates

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£ Highly Competitive

Our client is a major international investment bank and part of a 'Triple A' rated banking group. They are currently looking to recruit two additional ECU bond traders to join their existing high calibre team.

Strong trading skills, with at least 12 months direct experience in ECUs, will have been gained with a leading player.

Candidates should be educated to degree level although all individuals with an excellent track record will be considered. Benefits will include an attractive performance related bonus.

Those interested should contact Jane Harvey on 01-404 5751 or apply to her in writing, enclosing a comprehensive curriculum vitae at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

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Our client, the London branch of a leading US Bank is seeking to expand its Swaps operation with the appointment of an experienced trader.

Reporting to the executive director the successful candidate will be responsible for originating, marketing and executing swaps business in the Benelux, Scandinavian and Middle East markets. This business will include all forms of swaps and other interest rate risk products including FRA's caps, collars and options. Working in close liaison with New York the successful candidate will be expected to have strong working knowledge of swaps trading in US dollars and an excellent understanding of Deutsche Marks, Canadian and Australian dollars and Yen.

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Those interested should contact John Green on 01-404 5751 or write to him in confidence at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

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This position will appeal to candidates over 30 with an existing track record in the Fixed Interest Market who now desire the rewards which reflect their achievements.

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If you are able to meet the above criteria, please contact Trish Collins or Daniel Berry on 01-929 2383 or send a full CV in strictest confidence to Reed City, Fourth Floor, 1 Royal Exchange Avenue, London EC3V 3LT.

REED...City

Jonathan Wren
Stockbroking Division

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A leading international investment bank is expanding an already substantial global warrant sales capability and we have been retained to advise in the recruitment of an exceptional candidate for the above position.

The successful applicant will develop business with Swiss institutional clients, and will therefore require strong linguistic abilities — good spoken English, French, Italian and Swiss German is essential. In addition three years' experience of Swiss Franc and US Dollar Japanese Equity Warrants, familiarity with both the sales and trading aspects of these instruments and an understanding of the Swiss market are also essential requisites.

Remuneration for this appointment will consist of a substantial guaranteed package, a performance and profit related element and full City benefits.

Call Ann Winder on
01-623 1266 (daytime) or 01-466 1025 (evenings)
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LONDON HONG KONG SINGAPORE SYDNEY

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c.£20,000

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Ideally you will be over twenty-five with a degree in a numerate/business discipline and now be working for one of the clearing banks or building societies in a role involving strategic planning. Experience in branch network development and familiarity with retail banking trends in Europe would be an advantage.

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Please write with full career and personal details to: The Personnel Manager, MPSI Systems Ltd, 85-87 Jermyn Street, London SW1Y 6JD.

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and the appointment of

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as an Executive Director
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Japanese Translator

English into Japanese

Phillips & Drew Limited, a leading UK securities house, is looking for a **professional translator** to join the International Research Department.

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We offer an excellent compensation package which includes bonus, mortgage subsidy, BUPA and non-contributory pension scheme.

Please send your CV. or telephone for an application form. to:-

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No.1 New Street, (off Bishopsgate), London EC2M 4TP.
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University of Oxford

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The Development Office is charged with responsibility for raising money for the University from private sources. Opened in January 1987 it is now at an advanced stage in the planning of a major campaign. The office is part of the University's administration and its Director reports to the Vice-Chancellor and the Registrar.

New appointments are now to be made as follows (salaries quoted subject to early review):

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Responsibilities will include the organisation of work within the office, and helping to formulate and carry through the strategy of specific parts of the campaign. Considerable experience required of management within a large organisation or of fund-raising.

Salary: £17,250-£21,605.

Assistant Director (Operations)

Will coordinate the work of all the office's service functions: public relations, publications, database, events, reciprocation, planned giving and training. A range of experience required in one or more to these areas combined with some management experience.

Salary: £14,245-£19,440.

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Bodleian Library

Will work within the University's development strategy for the Library and coordinate the work of its committee of volunteers. Experience of fund-raising required. This post could be part-time

Salary: £14,245-£19,440 (pro rata if part-time).

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The University is an equal opportunity employer

Further particulars from:
Dr. H.M. Drucker, Director of the University Development Office, University Offices, Wellington Square, Oxford OX1 2JD. (Tel 0865-270222) to whom applications should be sent by 4 March.

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An outstanding executive is required with:

- strong marketing and business development ability
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- the ability to ensure that the highest ethical and professional standards are maintained in Grosvenor Trust Company's work

Several years experience of trust company work is required and a substantial base of existing international contacts would be helpful. The position will suit a person with legal, accounting or trustee qualifications and experience of working in a banking environment will be an advantage.

A substantial salary and benefits package up to £50,000 will be negotiated together with participation in a profit sharing scheme

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An exceptional opportunity for a well qualified person offering relevant experience gained within international banking preferably to include Trade Finance business. The position is with a European Bank's newly established London branch and involves contributing to all aspects of account relationships by working closely with other members of the credit team.

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– in Investment Management

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Please send your complete c.v. to Mary Thom, Personnel Manager, J.P. Morgan Investment Management Inc., 83 Pall Mall, London SW1Y 5ES.

J.P. Morgan Investment

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We have been exclusively retained by a long established Scottish Institution involved in Financial Services. They seek a General Manager to spearhead the development of their Banking Services Company which is an authorised Banking Institution.

The position requires first class experience in both Deposit Taking and Commercial Lending.

Remuneration package includes an attractive base salary, normal banking benefits, motor vehicle and participation in a success related bonus scheme.

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Knightsbridge, London
SW1X 9HL
Telephone: 01 245 6377

HEAD OF VALUATIONS

Citibank is already a key player in private banking with offices throughout Europe, an impressive list of high net worth clients and over 1000 staff in the private banking division. We are poised for a period of dynamic growth and need to strengthen our investment operation areas in London by recruiting a Valuations Manager.

Reporting to the Head of Investment Operations you will manage six staff and take responsibility for producing investment valuations for private clients. These cover multi-currency, multi-instrument portfolios for discretionary and non-discretionary clients. A key task in the next 12 months will be to assist in developing and implementing a new portfolio management, valuation and securities system.

You will have a good understanding of the securities business which will include several years' experience of valuing complex investment portfolios and knowledge of various pricing sources. A team player, with proven man-management skills, you possess a high degree of numeracy and a creative approach to problem solving.

Based in the West End your remuneration will include a competitive salary, company car, interest free season-ticket loan, non-contributory pension scheme, mortgage and personal loan facilities.

To apply, write to Derek Froud, Personnel Manager, Citibank, 41 Berkeley Square, London W1X 6NA, enclosing a cv and quoting current salary.

CITICORP CITIBANK

APPOINTMENTS ADVERTISING

For Further Information Call 01-248 8000

Tessa Taylor ext 3351

Deirdre Venables ext 4177

Patrick Williams ext 3694

Elizabeth Rowan ext 3456

Paul Maravigua ext 4676

BANKING EXECUTIVES

Within Hill Samuel & Co. Limited the commercial banking division continues to expand. We currently require high calibre executives to join the groups responsible for domestic and international lending.

The individuals appointed will be responsible for the day to day control and marketing of a nominated group of varied customers. The range of transactions undertaken by the Bank are not limited to conventional credit provision and straddle a wide range of merchant banking products, including some which are unique to Hill Samuel. The executive will be required to adopt an innovative approach towards the Bank's business and assist in the development of new concepts within the Hill Samuel specialities.

Candidates should be graduates in their 20's who have had a good credit training and at this stage in their career wish to join a prime United Kingdom bank. These appointments are career opportunities and there is no limit to the potential for able innovative individuals. Please send full details in strictest confidence to:-

Mrs. Anne Dunford,
Manager – Personnel Department,
Hill Samuel & Co. Limited,
100 Wood Street,
London EC2P 2AJ.

HILL SAMUEL & CO LIMITED

NORWICH UNION INSURANCE

FUND MANAGEMENT

Not all the best careers are City-based

up to £50,000

We have significant career development prospects to offer experienced, highly-motivated Fund Managers at Norwich Union. One of the UK's largest, most successful and rapidly-expanding financial organisations, with total assets of £10bn, we are at the forefront of those investors diversifying their share holding and increasing returns on funds.

As part of an innovative expansion policy, we have restructured our organisation and significantly increased the responsibilities of individual Fund Managers. We are now seeking to recruit several professionals to take responsibility for managing the following funds: UK, Far East, North America and Europe.

You will have proven stock selection ability, a knowledge of one of the above markets and will be currently managing a fund, or part of a fund. You will also be able to work independently and as part of a team.

The positions are based in Norwich, a beautiful location within easy reach of the Capital. The highly attractive remuneration package includes a competitive salary, performance-related bonus, subsidised mortgage and other large-company benefits. In addition, there are excellent sports and social facilities and full relocation expenses will be provided where appropriate.

Please send full career and salary details to Miss P D Scott, Norwich Union Insurance Group, Surrey Street, Norwich NR1 3NG.

HEAD OF TREASURY

Required for International Bank, Candidates must have extensive knowledge of all Financial products and risk management procedures.

CURRENCY OPTION DEALER

International trading company requires Senior Option Dealer with OTC & exchange traded experience to run large trading book.

CUSTOMER DEALER

International Bank require experienced FX Customer Dealers. Ideal candidates would be working for a large bank and have a wealth of contacts.

FINANCIAL FUTURES TRADER

Required for European Bank. Candidate must have good knowledge of the cash markets as well as extensive Futures experience.

SALARIES FOR THE ABOVE POSITIONS ARE VERY NEGOTIABLE SUBJECT TO EXPERIENCE BUT WILL REFLECT THE IMPORTANCE OF THE POSITIONS

CONTACT SIMON EAGLE IN THE STRICTEST CONFIDENCE ON

01-929 2878 (Day)
0279-39223 (Night)
BROADSTREET APPOINTMENTS
SUITE 12-14. 70 OLD BROAD STREET, LONDON EC2M
CV'S WELCOME BY POST OR FAX YOUR CV'S USING OUR 24 HOUR FAX MACHINE - FAX NO. 621 9500

STOCKBROKERS/ DEALERS

Required to service their own clientele under our umbrella, either from home or our offices in Essex.

For Details Telephone Mr Reed 0206 383839

INTERNATIONAL BANKING APPIONTMENTS

UK MARKETING MANAGER — **Max age 40** — **Salary £40,000 p.a. plus excellent banking benefits**

Very rapidly expanding international bank seeks manager of its blue chip UK marketing team. Products (both commercial and capital markets) will include short, medium and long term finance covering commercial loans, real estate loans, equipment finance and commercial paper back-up lines, aircraft financing, lease financing and management buy-outs.

UK FINANCIAL INSTITUTIONAL MARKETING MANAGER — **Max age 40** — **to £40,000 p.a.**

This bank, an aggressive force in the market, seeks a manager for UK Financial Institutional Marketing to head a team marketing to building societies, banks, consumer credit and unit trust brokers. Financing includes short and medium term facilities and investment consultancy.

This appointment is part of a carefully planned expansion programme in this prestigious bank.

Please speak with Elizabeth Hayford on 377-5040 or write to her at:-

LJC BANKING APPOINTMENTS
Devonshire House, 146 Bishopsgate, EC2M 4JX.
01-377 5040

NEW ROLE IN LLOYD'S BROKER

We are a privately owned Company of fifteen years standing, specialising in non-marine reinsurance and located in new premises close to Lloyd's.

Our requirement is for an ambitious qualified accountant to fulfil an active role in all aspects of our Accounting and Secretarial division, reporting directly to the Financial Director. The successful candidate will be in in the age group 28-36 and will want to accept a challenging new position in an expanding company with a view to eventual Financial Directorship. Previous experience in the insurance field is not essential.

Benefits include company car, non-contributory pension scheme, health insurance, together with a salary circa £30,000 p.a..

Please write in confidence, giving your age, salary and full career details, to

Dennis R Thornton, Dennis M Clayton & Co Ltd, Landmark House, 69 Leadenhall Street, London EC3A 2AD

EQUITY DERIVATIVE SALES

We are about to establish a specialised equity derivative sales desk and are looking to appoint a senior person to develop the area. The applicant should be capable of building and managing an aggressive and highly motivated sales team. Experience in US and UK equities, futures and options is essential. An extremely attractive remuneration package together with considerable profit sharing incentives will be offered to the successful applicant.

In addition we are seeking sales people to join the team who should have relevant experience in this area. An attractive negotiable salary package will be offered to the successful applicants.

Apply in confidence to Miss Jane Rouse.

Drexel Burnham Lambert Limited
Winchester House, 100 Old Broad Street, London EC2N 1BE

INTERNATIONAL EQUITIES SPECIALIST

Excellent salary plus banking benefits

We are a leading international investment house seeking to recruit a key number for our New Product Development Department.

A successful candidate, you will have at least four years relevant experience with a top international investment or merchant bank and must be able to demonstrate a detailed knowledge of all major international equity markets. The ability to analyse new products and prepare detailed business plans as well as work on various management projects is also required.

You must be a self-motivated professional who works efficiently under pressure and has a flexible approach. A strong personality, excellent communication skills and a good academic background are also needed. A second European language, or possibly Japanese, would be advantageous.

Interested candidates should forward their curriculum vitae and covering letter to Box A0816, Financial Times, 10 Cannon Street, London EC4P 4BY

TREASURY DEALER

Planned branch of a respected Scandinavian bank soon to open its doors in London wishes to recruit an experienced Treasury Trader.

The successful applicant should have at least 2 years experience in off-balance sheet, futures/paper trading.

High motivation from a good team player will be compensated by an excellent benefit package.

Replies to: Box A0820, Financial Times, 10 Cannon Street, London EC4P 4BY, will be treated in the strictest confidence.

SUCCESSFUL JOB SEARCH

ARE YOU A SENIOR EXECUTIVE SEEKING A NEW APPOINTMENT?

We are the professionals who can advise and help you. *Since 1980,* Connaught's executive clients have accessed unadvertised vacancies, obtained interviews, found the right jobs and reduced job search time.

Contact us for an exploratory meeting. It is without charge and we will tell you if we can help and at what cost: it may be easier than you think. *Expats enquire about our special service.*

London: 32 Savile Row, London W1X 1AG. Tel: 01-734 3879 (24 hours).
Bristol: Maggs House, 78 Queens Road, Clifton BS8 1QX. Tel: 0272-226933.

Connaught

CREDIT ANALYSTS

The City-based UK subsidiary of a major Japanese Corporation is expanding its Crdit team and wishes to appoint two Credit Analysts to its small, highly professional team which establishes credit limits for customers, both in the UK and throughout Europe, and also provides an in-house advisory and support facility to business operating units.

The initial area of concentration will be on the analysis of UK Companies for financial performance and risk assessment, with a growing involvement in other areas of the Development's activities.

Applicants will be at least 24 years old, with previous experience of credit analysis operations in a commercial of credit analysis operations in commercial, profit orientated organisation and be looking to develop their career in this field. Sound analytical and communication skills are essential.

Please apply in writing to Box A0815, Financial Times, 10 Cannon Street, London EC4P 4BY

CITY DEALERS

Have you been affected by the recent stock market crash? Are you now looking for employment with more security but still keeping that top income?

We are a leading publishing house based in Central London that have gained considerable reputation as the producers of may official titles for trade and industry such as, materials mangement, construction transport and aviation.

Due to expansion the opportunity has arisen for a career in advertising for a select number of literate, articulate, self motivated individuals.

The ideal applicant will be 20-40 years of age with a well educated background with the ability to negotiate at director level.

If you feel you would like to discover your true financial potential by earning a top income, call Andrea Chute or Ted Currie on

01-833 2583/93 or 01-833 07567/57 and sell yourself.

Mitsubishi Finance International Limited

INTEREST RATE SWAP OR FIXED RATE BOND PORTFOLIO MANAGER REQUIRED

We are the major investment banking arm of The Mitsubishi Bank, committed to the International Capital Markets and expanding our team which provides interest rate and currency risk management products for our clients.

Applicants should have a minimum of one year's experience in current computer based techniques for managing a portfolio of team interest rate risk. Interest rate swap portfolio mangement experience would be an advantage.

Compensation will be negotiable according to age and experience and benefits will be consistent with usual banking practice.

Please write in strict confidence enclosing a full C.V. to:-

David Spencer, Company Secretary, Mitsubishi Finance International Limited, 1 King Street, London EC2V 8EB.

Mitsubishi Finance International Limited is a member of FIMBRA

A SUCCESSFUL CAREER ALREADY BEHIND YOU?

If you are aged under 50, with integrity, dediction and self-assurance, you could have another equally successful career ahead of you.

Hill Samuel is one of Britains's most respected financial institutions. Personal financial services is a growing business sector with more and more people requiring advice and guidance on how best to successfully manage their money.

Hence, we have openings for mature, outgoing individuals to join the Hill Samuel Investment Services team of advisers.

Knowledge of financial matters would be helpful, but sales experience is essential. We are prepared to give you thorough and comprehensive training, as well as providing excellent support services, office facilities and opportunities to earn a very substantial income.

To launch your second career send a full CV to or telephone: David Mear on 01-434 4583, Hill Samuel Investment Services Limited, 1 Maddox Street, London W1R 9WA

UNIVERSITY COLLEGE, OXFORD
MASTER

The Fellows are proceeding towards electing a successor (male or female) to the Hon. Kingman Brewster, who retires on 31st July 1989. Anyone who might wish to be considered, or to make a suggestion or nomination,

is invited to write in confidence to the Senior Fellow, Dr. G.r. Screaton, at University College, Oxford, OX1 4BH, preferably by the end of February 1988.

Appointments Wanted

Would be trainee trader seeks gainful employment in options/ futures industry exp in technical analysis for trading.

Write R Green,
38 Pandora Road,
W. Hampstead,
London NW6 1TR

Overseas Trade Corporation Group

OTC is expanding its corporate advisory and funding activities and wishes to contact experienced, mature and capable individuals considering establishing their own financial services or consultancy activities.

A background in merchant/investment banking or with a confirming/ discount house is desirable.

Contact: David Gradel, President.
Overseas Trade Corporation Group Limited,
International House, 1 St Katherine's Way
London E1 9UN. Tel: 01-488 2400.

Trade & Corporate Finance, Asset & Liability Management

هكذا من الأصل

The TOP of *your* profession might *not* be all *you* can MANAGE

Are you at the top of your profession and willing to change function to gain the experience necessary to reach MD level?

Right now, Scottish & Newcastle, one of the UK's top brewing groups, has an innovative Development Programme which will accelerate your progression to the highest level.

Essentially you'll be graduate qualified and ideally have a post-graduate qualification such as an MBA. The willingness to work in any of our UK locations is also a prerequisite. Age indicator 28–35.

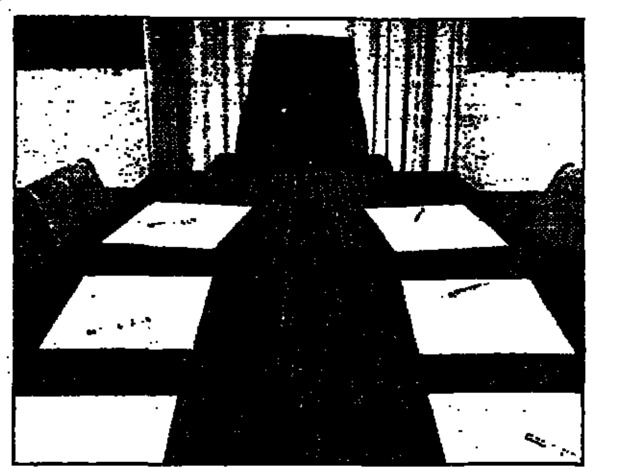
You'll have acquired proven business skills in a blue-chip organisation and have a personal track record of success and the ability to thrive in a dynamic commercial environment.

Analytical, creative, communicative and results driven — you'll be a high-performing manager with inherent leadership potential.

Your background to-date could be in any one of a number of functions such as Finance/Commerce, Marketing, Sales, Personnel, Manufacturing or Information Technology.

It's a totally unique opportunity within a unique group where, through new initiatives and recent acquisitions, including Home Brewery and Matthew Brown, expansion is an integral part of the progressive business philosophy.

You'll also find that the remuneration and benefits package on offer reflects our commitment to attracting the very highest management expertise. Write explaining why you could be suitable for this scheme and enclose a brief CV to:



GENERAL *MANAGEMENT development* PROGRAMME

Fiona Coward,
Management Development Manager,
Scottish & Newcastle Breweries plc.,
Head Office,
111 Holyrood Road,
Edinburgh EH8 8YS.
Tel: 031-556 2591, Ext. 2487/2485.

Scottish & Newcastle

OPERATIONS MANAGEMENT

Three new Business Support Management appointments with a leading UK bank.

Each of these appointments is an opportunity to lead an Operations Department which is closely integrated with the business areas it supports. The departments are organised into teams each dedicated to a business activity and which provide processing services including accounting, recording and settlement transactions.

Your role will be a real managerial one. You will recruit and develop staff, and motivate the department through the supervisors or assistant managers who head the teams. You will be a vital interface between the department, the business areas and clients and you could make a positive contribution towards profits by scouting for additional sales opportunities at client meetings and by identifying cost saving procedures. There are prospects of further career progression from *these positions* either within Operations in London or overseas or into Sales & Marketing in the business areas.

To be a candidate you should have previous people management experience in international banking and substantial first hand experience of transaction processing, settlements and payments in either foreign exchange, money market, off balance sheet products, UK and international securities, corporate loans and facilities or a combination of these. The preferred age range is 30 to 40. Each position carries a highly competitive salary, company car, mortgage scheme and non-contribution pension. To apply please write or telephone **John Sears, John Sears & Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP. Telephone 01-222 7733.**

John Sears and Associates

A MEMBER OF THE SMCL GROUP

Training Manager

Unit Trust Administration

Salary c£20,000 +Car+Benefits

Our client is one of the leading Unit Trust Management Groups and has experienced rapid growth in its business through increased sales and acquisition. A key element of future strategy is a pro-active and efficient training function within the Administration Division.

This is a newly created position. You will have hands on involvement with every aspect of staff training, from identifying training needs and resources to the development and implementation of appropriate programmes.

You must have at least 3 years wide based Training experience, ideally with at least 2 years involvement in Unit Trust Administration. As well as being innovative, you will need strong interpersonal and communication skills.

Interested applicants should send complete career details to **Mike Masterson,** indicating clearly, in a covering letter the name of any organisation to whom details should not be forwarded.

the *fleet* partnership

Financial Recruitment Consultants, 37/41 Bedford Row, London WC1R 4JH. 01-831 1101 (24 hours).

SOCIAL AND LIBERAL DEMOCRATS

CHIEF EXECUTIVE

This is a demanding and creative position calling for management and communications skills of the highest order and whole-hearted commitment to the success of the new Party.

For Further details, ring Chief Executive Appointments 01 222 3078

GOLDEN OPPORTUNITY IN THE FAR EAST MAKE A FRESH START Our client requires experienced direct salesales people to market financial products in the Far East. This is a must for the self motivated who want to earn well above the average and live a lifestyle benefiting their abilities. You must be prepared to travel to the Far East to meet the challenge of your future. Written replies only, to include resume of past experience, contact telephone number and address. These opportunities don't appear very often so hurry! Replies to: "MAKE A FRESH START" c/o Deanplace Ltd., 95 Cavendish Road, London SW12 0BN.

STOCKBROKING TODAY

We are an expanding firm of stockbrokers who belive in the future of the of the securities market.

We would like to talk to individual members, salesmen, or teams who are keen to back themselves within a convivial environment and feel that they are capable of making a positive contribution to a soundly-based professionally run organisation.

Write in strictest confidence to:
Box A0817, Financial Times,
10 Cannon Street, London EC4P 4BY

EXCITING FAR EAST SALES OPPORTUNITY

An independent international stockbroker seeks one senior salesman or woman and two trainees in its London office to assist its rapidly expanding Far East business. They will in particular focus their initial efforts on Hong Kong.

The remuneration package of the senior will be performance orientated.

The trainees require an understanding of stockbroking and previous experience on the institutional desk of an international securities firm would be an advantage.

Write Box A0818, Financial Times,
10 Cannon Street, London EC4P 4BY

International Appointments

U.S.TREASURIES TRADER SENIOR POSITION

TOKYO

CITICORP INVESTMENT BANK JAPAN is looking for an experienced dealer in all U.S. treasury instruments ... someone who can make a major profit contribution.

The candidate should have a minimum of 5 years experience, familiarity with all related products and is willing to re-locate. Salary and bonus are highly competitive.

If you are interested, have the necessary qualifications and would welcome a challenge in the world's most exciting marketplace, send your resume to:

JAPAN INVESTMENT BANK
ATTN: PETER SKORPIL
ARK MORI BUILDING, 24TH FLOOR
1-12-32 AKASAKA, MINATO-KU, TOKYO 107
JAPAN

CITICORP CITIBANK

NEWLY QUALIFIED ACCOUNTANCY APPOINTMETS

Will Appear On Thursday 3rd March

For further Information Call 01-248 8000

Tessa Taylor Ext 3351

Deirdre Venables Ext 4177

Patrick Williams Ext 3694

Elizabeth Rowen Ext 3456

Paul Maraviglia Ext 4676

Use your head. Get ahead with a bank where heads count.

We are one of the leading addresses in the security business and want to expand our market position.

For our head office in Munich we are looking for experienced people (fluent in English and German).

International Institutional Sales

(German bonds or German Equities Specialists or Sales/Analysts who are experienced in the German Capital Markets)

Please forward your complete application to Bayerische Hypotheken- und Wechsel-Bank AG, Abteilung P/MB 2.3, Arabellastr. 12, D-8000 München 81. For detailed information please contact Dr. Peter Fischer, Tel.-Nr. 0 10 49 89/23 66 2102, or Mr. Peter Strubreiter, Tel.-Nr. 0 10 49 89/23 66 86 14.

HYPOBANK
Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft

BUSINESS DEVELOPMENT OFFICER — VIENNA

Our client is a prominent Austrian Bank, whose activities range from traditional retail and commercial banking to investment management and international capital markets. As a result of continued growth of its overseas business a vacancy has arisen for a marketing officer to be based at Head Office in Vienna.

As well as a proven track record in credit and international lending, you will have some knowledge of capital market products. Probably aged 25-30, with a working knowledge of German, you have the ability to work independently and establish effective working relationships with banking and corporate clients.

In the first instance, please contact ***Laila Rafique*** *at:*
Anderson, Squires Ltd.,
Financial Recruitment Specialists
127 Cheapside, London EC2V 6BU.
Tel: 01-606 1706

Anderson, Squires

International Banking

DEALERS

On behalf of a AAA rated Continental Bank, who are currently involved in a planned and exciting extension of its Treasury activities, we are seeking 3 senior Dealers, to undertake key appointments.

FINANCIAL FUTURES DEALER

To trade Eurodollars, Short Sterling, UK Gilts, and US Treasury Bond contracts on the L.I.F.F.E. and Chicago markets.

F.R.A./F.S.A. DEALER

First class dealer with in-depth experience of futures and cash markets to establish dealing in FRA's and F.S.A.'s.

SPOT GOLD DEALER

Successful dealer, well known in London bullion market, to build up active market making in Spot Gold.

Salaries will be competitive, and a full benefits package, to include a car, will be offered to the chosen candidates.

Interested dealers, who must have demonstrated an ability to make a successful and profitable contribution within an active trading bank, are invited to call Gordon Brown personnally, to discuss these positions in complete confidence.

BANK RECRUITMENT CONSULTANT
57/59 LONDON WALL
LONDON EC2M 5TP
TEL: 01-628 7601

Gordon Brown

INVESTMENT STRATEGY AND ANALYSIS

■ Major international multi-industry corporation seeks Manager-Investment for its small investment team directing $200 million financial investments; job location : Monaco.

■ This highly visible job requires a value-smart investment brain to identify and evaluate investment opportunities including US and European equities as well as fixed income and currency positions, participate in formulating overall investment strategy and asset allocation, and manage positions and execution of trades.

■ Candidate should have at least 5 years investment analysis experience with a profitable track record in various financial instruments; ability to carry out and present financial, valuation and return/risk sensitivity analyses using PC tools; MBA or equivalent; language facility to dissect US and European financial statements; probable age in early thirties.

■ Career opportunities are to help build up self-standing investment firm or eventually to move into corporate finance, corporate development or senior financial function with an operating company.

■ We are looking for an outstanding individual and are prepared to pay accordingly. Please send resume and compensation expectations to:
J.A.M. Vijverberg, Vice President TBG Invest, TBG Management SAM, P.O.Box 89, MC-98007 Monaco cedex

Small Department of Old Established large ZURICH BASED COMPANY

requires services of an experienced competent

TRUST MANAGER

Candidates should have practical business experience of Discretionary Trusts and other forms of Family Settlements. Confident personality and ability to handle individuals essential. Preferred age 25-40. Reasonable working knowledge of German language required. Good working conditions and generous salary (well over U.. levels) offered.

Full particulars in strictest confidence to cipher 44-64'388 Publicitas, P.O. Box, CH-8021 Zurich

CHARTERHOUSE APPOINTMENTS
For Situations Vacant in Commodity & Financial Markets
on 01-481 3188
Europe House, World Trade Centre
London E1 9AA

FINANCIAL JOURNALIST

Major world news agency has urgent 6-9 month vacancy for experienced English-language financial journalist as desk editor. Excellent understanding of written French essential. Job, initially in West Germany, offers attractive pay, and possibly excellent opportunities.

Reply C/O Intermarket Research, Tower House, Southampton Street, London WC2E 7HN.

International Appointments

DIRECTOR TOP MANAGEMENT DIVISION

Management Centre Europe (MCE) is Europe's largest management development organisation. We offer a wide range of management programmes designed to meet the development, information and training needs of client managers. We make available and develop the latest management techniques and help managers to adapt to the changing environment.

Due to rapid expansion in our activities we are now seeking to reinforce our Programme Department with a

Director Top Management Division
Responsible for planning, designing, organising and running a range of Top Management seminars, briefings and conferences featuring some of the world's leading authorities in the management field. Experience in the fields of corporate and marketing strategies, change, leadership, crisis management, organisational design is a valuable asset.
Aged 30-40 with MBA or equivalent and fluent in English.

ASSISTANT PROGRAMME DIRECTOR

Assistant Programme Director
The rapid expansion of our Banking and Finance Division has led to the need for an additional executive reporting to the Group Director to help maintain the momentum.
Responsibilities include planning, organising and running a range of management training and information programmes.
Aged 25-33, with MBA or equivalent, the candidate should be fluent in English, entrepreneurial, with 3 years finance experience in a corporation or financial institution.

Both candidates should be well organised individuals with communicating skills and maturity to interact effectively with top executives from all over Europe.
Excellent salaries are offered with the opportunity to demonstrate your entrepreneurial abilities in a stimulating multi-cultural environment and to be an important contribution to the organisation's success.

Please write enclosing a curriculum vitae to:
Mrs. J. Mercier, Personnel Manager,
Management Centre Europe, rue Caroly 15,
1040 Brussels.

SPOT FX TRADER

Swiss subsidiary of large International Bank seeks to expand its current dealing team of six people with a professional FX trader who has had a minimum of 3 years experience in independently trading in some of the leading currencies.
A good working knowledge of the french language is a necessity.
Location will be in Basle and the attractive financial package offered to the successful applicant fully reflects the importance of this position.

Applications are invited to Number PSI-013
Publicitas, Service International
P.O. Box, CH-4010 Switzerland

ASSISTANT MANAGER CREDIT
£25,000—£30,000
Small bank seeks US credit trained administrator ideally with Middle Eastern *marketing experience to manage loan portfolio.*

FORWARD MARK DEALER
c£30,000
A Senior dealing post in a medium sized international bank who require a skilled forward dealer to also be involved in SWAPS.

New merchant banking operation has two positions available for experienced bankers:-

ASSISTANT MANAGER SYNDICATIONS
£25,000—£30,000
To contact and negotiate purchase and sale of assets.

CREDIT/ANALYST/ACCOUNT OFFICER
£/NEGOTIABLE
To structure and monitor credit proposals and provide marketing support.

OLD BROAD STREET BUREAU LTD
STAFF CONSULTANTS
109 Old Broad Street, London EC2N 1AP. Tel: 01-588 3991

STOCKBROKERS
Are you suffering from the post crash conditions and the low volumes in the bear market?
Would you like to talk in confidence with an independent member firm about ways of collaborating to reduce costs and improve margins?
Write in confidence to
Box A0799, Financial Times, 10 Cannon Street, London EC4P 4BY

Company Notices

FREE STATE CONSOLIDATED GOLD MINES LIMITED

(Incorporated in the Republic of South Africa)
Registration No. 05/28210/06

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of members of Free State Consolidated Gold Mines Limited will be held at 44 Main Street, Johannesburg, on Wednesday, March 2 1988 at 11h00, for the purpose of considering and, if deemed fit, of passing, with or without modification, the following ordinary and special resolutions, namely:

1. As ordinary resolution number 1
"That Free State Consolidated Gold Mines Limited hereby elects to participate in The Anglo American Group Employee Shareholder Scheme (the scheme) and that it approves and agrees to be bound by the terms and conditions of the scheme and the Trust Deed entered into between Anglo American Corporation of South Africa Limited (AAC) and the Trustees appointed by the directors of AAC to give effect to the scheme."

2. As special resolution number 1
"That the company's articles of association are hereby amended by the addition of the following new sub-article immediately after sub-article 40 (g) to be numbered 40 (h):
'(h) convert any of its shares, whether issued or not, into shares of another class or classes, and attach thereto, respectively, any preferential, qualified, special or deferred rights, privileges or conditions'."

3. As special resolution number 2
"That subject to the passing and registration of special resolution number 1 proposed in terms of the notice convening this meeting, the authorised capital of the company is hereby increased from R58 089 560.50, divided into 116 179 121 ordinary shares of 50 cents each, to R60 000 000 divided into 116 179 121 ordinary shares of 50 cents each and 3 820 879 S ordinary shares of 50 cents each, by the creation of 3 820 879 S ordinary shares of 50 cents each, subject to the terms and conditions contained in the company's articles of association."

4. As special resolution number 3
"That, subject to the passing and registration of special resolutions numbers 1 and 2 proposed in terms of the notice convening this meeting, the articles of association of the company are hereby amended by renumbering the existing article 6 to read '6(a)', and by inserting the following wording immediately thereafter, to be numbered article 6(b):
'6(b) The S ordinary shares shall, upon issue, confer the right, on a winding-up of the company, in priority to any payment to the holders of ordinary shares, to the payment of an amount of one cent per share, after which payment the S ordinary shares shall rank equally with the ordinary shares as regards participation in any distribution made by the company as a result of such winding-up. Save as provided herein, the S ordinary shares shall rank pari passu in all respects with the ordinary shares in the company'."

5. As ordinary resolution number 2
"That, subject to the passing and registration of special resolution number 3 proposed in terms of the notice convening this meeting, the directors are hereby authorised to allot and issue to AAC, or as it may direct, no more than the number of S ordinary shares of 50 cents each in the capital of the company as equate in value to the shares to be issued by AAC to the eligible employees of Free State Consolidated Gold Mines (Operations) Limited in terms of the Anglo American Group Employee Shareholder Scheme."

6. As ordinary resolution number 3
"That, after providing for the allotment and issue of S ordinary shares for purposes of the company's participation in The Anglo American Group Employee Shareholder Scheme, the directors are hereby authorised to allot and issue all or any portion of the remaining unissued S ordinary shares of 50 cents each in the capital of the company, at such time or times, to such person or persons, company or companies, and upon such terms and conditions as they may determine, and subject to the rules and requirements of The Johannesburg Stock Exchange."

The reason for proposing the special resolutions is to have sufficient S ordinary shares in reserve for purposes of Freegold's participation in the scheme and for possible new business opportunities and to create a separate class of shares so that any new capital issued can be separately identified from the existing issued ordinary shares. The effect thereof is to increase the authorised capital of the company from R58 089 560.50 to R60 000 000 comprising ordinary and S ordinary shares.

The head office and United Kingdom transfer registers and registers of members of the company will be closed from Saturday, February 27 to Wednesday, March 2 1988, both days inclusive.

Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at the meeting must comply with the regulations of the company under which share warrants to bearer are issued.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and, on a poll, vote in his stead. A proxy need not be a member of the company.

Proxy forms must be lodged with the company's share transfer secretaries not less than 48 (forty-eight) hours before the time set for the holding of the meeting. Completion of a form of proxy will not preclude a member from attending the meeting.

By order of the Board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per: N B Stinton
Divisional Secretary

Share transfer secretaries
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
South Africa
and
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL
February 9 1988

Registered office
44 Main Street
Johannesburg 2001
(PO Box 61587 Marshalltown, 2107)

London office
40 Holborn Viaduct
London EC1P 1AJ

East Rand Gold and Uranium Company Limited
(Registration number 71/07001/06)
Elandsrand Gold Mining Company Limited
(Registration number 74/01477/06)
The South African Land & Exploration Company Limited
(Registration number 01/01879/06)
Vaal Reefs Exploration and Mining Company Limited
(Registration number 05/17364/06)
Western Deep Levels Limited
(Registration number 57/02348/06)
(All of which are incorporated in the Republic of South Africa)

Closing of registers

For the purposes of the general meetings of members of the above companies and of option holders of Western Deep Levels Limited, to be held at 44 Main Street, Johannesburg, on Wednesday, March 2 1988, at the times stated below, to consider the passing of resolutions related to the companies' participation in the Anglo American Group Employee Shareholder Scheme, the transfer registers and registers of members and option holders will be closed from Saturday, February 27 to Wednesday, March 2 1988, both days inclusive.

Company	Time
Vaal Reefs Exploration and Mining Company Limited	11h15
Western Deep Levels Limited	11h30
Western Deep Levels Limited (option holders)	11h45
Elandsrand Gold Mining Company Limited	12h00
The South African Land & Exploration Company Limited	12h15
East Rand Gold and Uranium Company Limited	12h30

By order of the boards
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per C. R. BULL
Senior Divisional Secretary

Transfer Secretaries:
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg 2001
(PO Box 61051
Marshalltown 2107)
and
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Johannesburg
February 9 1988

Registered Offices:
44 Main Street
Johannesburg 2001
(PO Box 61587
Marshalltown 2107)
London Office:
40 Holborn Viaduct
London EC1P 1AJ

AAC

NOTICE TO HOLDERS OF KAJIMA CORPORATION
Bearer Warrants to subscribe up to Y16,440,000,000 for shares of common stock of Kajima Corporation issued in conjunction with the U.S.$100,000,000 3% per cent. Guaranteed Bonds 1991
and
KAJIMA CORPORATION Bearer Warrants to subscribe up to Y29,490,000,000 for shares of common stock of Kajima Corporation issued in conjunction with the U.S.$200,000,000 1¾ per cent. Bonds 1992.

NOTICE IS HEREBY GIVEN in accordance with Clause 4(f) (ii) of each of the Instruments by way of deed poll dated 23rd December, 1986 and 14th July, 1987, respectively, made by Kajima Corporation (the "Company") in connection with the issues of bearer warrants (collectively "Warrants") referred to above that, subject to the approval of the shareholders of the Company at the ordinary general meeting of shareholders to be held on 26th February, 1988, the Company will change, with immediate effect from such date, its financial year from a year ending 30th November to a year ending 31st March. As a transitional measure, the Company will have a four-month financial period from 1st December, 1987 to 31st March, 1988 and thereafter its financial year will commence on 1st April and end on the succeeding 31st March.

Accordingly, the record dates for the payment by the Company of annual cash dividends and interim dividends (being cash distributions pursuant to Article 293-5 of the Commercial Code of Japan) will become 31st March and 30th September in each year. The Dividend Accrual Period will henceforth be the four-month period from 1st December, 1987 to 31st March, 1988 and thereafter each six-month period ending on 31st March or 30th September in each year.

Except for the change in the Dividend Accrual Period, the terms and conditions of each of the Warrants shall remain unchanged.

If the approval of the shareholders of the Company referred to above is not obtained a further notice to that effect will be published.

Kajima Corporation
By The Kyowa Bank, Ltd.
as Principal Paying Agent

10th February, 1988

GOLD FIELDS GROUP
DECLARATION OF DIVIDENDS
UNITED KINGDOM CURRENCY EQUIVALENTS

In accordance with the standard conditions relating to the payment of the dividends declared by the undermentioned companies on 13 January 1988, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of R3.528468 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remittances between the Republic of South Africa and the United Kingdom on 8 February 1988 as advised by the companies' South African bankers.

The United Kingdom currency equivalents of the dividends are therefore as follows:-

NAME OF COMPANY *(All companies are incorporated in the Republic of South Africa)*	Dividend No	Amount per share
Gold Fields Property Company Limited (Registration No 01/01078/06)	130	5.66818234p
New Wits Limited (Registration No 06/04822/06)	74	4.25113675p
Vogelstruisbult Metal Holdings Limited (Registration No 05/04346/06)	82	5.66818234p

By order of the Boards
per pro CONSOLIDATED GOLD FIELDS PLC
London Secretaries
Mrs G M A Gledhill, Secretary

London Office:
31 Charles II Street
St James's Square
London SW1Y 4AG
8 February 1988

United Kingdom Registrar:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

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هكذا من الأصل

ONE STRIKING coincidence among family-owned manufacturing companies in Britain is that two of the very largest have near identical sales volume and make similar types of product.

Lansing, the Basingstoke-based lift truck manufacturer controlled by the Kaye family, and JC Bamford, the Staffordshire-based maker of earthmoving and construction equipment owned by the Bamford family, are in the business of manufacturing wheeled and crawling machinery and really nothing else.

Britain's biggest lift truck producer cranked up a turnover of £233m in 1986 from its mainly electric powered forklifts, specialist lifting vehicles for warehouses and tow tractors used in airports and railway stations.

JCB had sales of £231m from its output of backhoe loaders, hydraulic excavators and other earthmoving and construction equipment.

Powerful and resilient in their different ways, both companies command a great deal of respect from their international competitors.

They also share another trait, a strong resemblance in character to the archetypal family-owned companies which pepper West Germany's mechanical engineering landscape. Fighting in markets with low prices and gross overcapacity and facing very tough and capable rivals, Lansing and JCB are real industrial success stories.

However, in one crucial measurement, these two companies differ from each other. JCB and Lansing might have the same turnover but profits tell a different story.

JCB managed to squeeze out a pre-tax figure of £24m in 1985 (£31m in 1986) while Lansing's profits were a quarter of those, amounting to a miserly £6m or so of the £6.8m achieved by the Kaye group as a whole two years ago, the last recorded figure.

It might be argued that the comparison with JCB is rather stretching a point. Its products are largely in different types of market with virtually no competitive overlap. But JCB managed to restructure its business four years ago during the depth of recession, introducing product-based divisions with their own product managers.

What is more, Lansing's relatively meagre return now provides one clue as to why the Hampshire-based company is engaged right now in a fundamental restructuring designed to raise sales and profits.

Lansing Bagnall

Giving itself a lift

Nick Garnett explains why the UK engineering group is overhauling its operations

Ian Williams: "We are going to have to work quite hard in a short period of time"

This involves a reshaping of its structure, tied to a complete overhaul of its internal reporting methods and the way it extracts market information.

As part of this, the near autonomy of 25 separate operating units with virtually no central strategy for manufacturing was scrapped a few months ago in favour of six operating units and two central functions for finance and product planning.

'We do not have a clear vision of the profitability of some of our products and some of our markets'

With it, too, has gone the practice of allowing separate management groups in each of the company's main national markets complete freedom to source what they want from Lansing or from competitor lift truck makers.

All this has gone hand-in-hand with a four-year, £14m shopfloor investment programme, started in 1986, at its main Basingstoke site, designed to slice into burdensome production costs.

The company was one of the first in Britain to use computer-controlled production machines back in the 1970s. But it concedes that it does not know enough about the breakdown of its production costs nor of the benefits of more component rationalisation.

"We do not have a clear vision of the profitability of some of our products and some of our markets," says Ian Williams, the 42-year-old managing director brought into Lansing from elsewhere in the Kaye organisation last year.

"We are going to have to work quite hard to bring about change in a short period of time, partly because of some of the things that happened here in the early 1980s. We see this as a programme which will go on for several years."

What Williams is referring to a few years ago is the way Lansing reacted to the tremendous slump in lift truck demand during the recessionary years at the turn of the decade. As a sign of how serious that slump was, Lansing's important UK domestic market crashed by 60 per cent in 1980.

Some of that reaction is seen by Williams as commendable – for example, the speed with which Lansing shed labour a year or more before other engineering companies had even woken up to the new and harsher environment. As part of those cutbacks – which saw the workforce tumble from 6,800 to 4,000 – some other things were not so smart.

In its rather nervous drive to lower costs, Lansing also chopped out almost all its marketing analysis and research, halted training of sales staff and froze management development.

Only product research continued. "There was some element of eating our seed corn," says Williams. "Organisation was not seen as an issue at all. We also failed to keep on top of manufacturing and keep manufacturing costs down."

It might seem a bit churlish to criticise Lansing and to continue the comparison with JCB. After all, not only do JCB machines have very different applications from those of Lansing but the Bamford company is pretty well a single site operation. It also has a much simpler product range and its machines tend to be larger and less labour-intensive to make.

Lansing has four production sites, two of them outside the UK. What is more, Lansing is not a niche producer as is JCB. Its one hundred or so models give it a broader product range than any other of the world's lift truck makers, partly accounting for Lansing's employment of around 5,000 as against 1,700 at JCB.

At the same time Lansing's track record on production and new model introduction has, unquestionably, been very good. This is a testament to the drive of Sir Emmanuel Kaye, the 74-year-old co-founder of the company and the clutch of senior managers, like John Allenby and Derrick Larkins who are now on the point of retiring.

The relative lack of growth irks some. . . new managers brought in to the company in the last few years

Lansing has always managed to make a profit and has done this while pretty well maintaining its place in the global pecking order.

Its output of 12,000 units a year places it at number seven in the world cash sales rankings and number two or three in Europe behind Linde-Still of West Germany and alongside Jungheinrich, another German producer.

This has been aided by the setting up of Lansing's West German plant at Roxheim in the 1960s, the purchase in the 1970s of two British makers of engine-powered trucks, Henley and Bonser, and the acquisition in 1985 of Saxby, the big French maker.

Lansing purchased Saxby partly for defensive reasons – it was worried by rumours that Nissan of Japan was interested in acquiring it – but it also gave Lansing immediate penetration into France. Lansing has also consolidated its position as the leading supplier in the UK. To stay in the big league in one of the world's harshest industries is no mean achievement.

However, Lansing's manufacturing operations, especially the big 49-acre Basingstoke site to which Sir Emmanuel Kaye moved in the late 1940s and which is still known as Lansing Bagnall, have not kept up with the latest production thinking.

For example, there is enough "fat" in the factory to permit a cut of two thirds in stock levels and reduce overall costs by 15 per cent, according to the four year investment programme. Some of this will be done by new production techniques which will help reduce average lift truck build times from 12 to about four weeks.

Lansing has also failed to grow through the 1980s in the same way as some of its European competitors, like BT Rolatruc of Sweden and Jungheinrich. Lansing also lost share to the Japanese, though to be fair just about every lift truck maker which has models that compete with the Japanese has suffered that too.

This relative lack of growth irks some of the new managers brought in to the company in the past few years. "We intend to increase our market share. That is our aim," says Williams.

One thing Lansing managers do not know is how far all these changes will take them. They certainly expect that a long programme of component rationalisation, tied in with new model designs will be possible. At the moment, Basingstoke handles more than 50,000 components.

It will also allow the company to review its overall manufacturing set up, deciding, for example, whether certain types of components should be made on one rather than two or three sites. For a company the size of Lansing, four manufacturing sites seem rather a luxury.

Britain digs in on R&D costs

Richard Waters on an accounting anomaly

MOST MANAGERS agree on the value of research and development – but they are not so sure they want to tell people about it. This is clear from a reactionary backlash to political pressure for companies to disclose R&D spending. A proposed accounting standard requiring companies to show their spending in this area has drawn virtually no support in the corporate world, and has even fallen foul of many accountants.

The British desire for boardroom secrecy on R&D would raise eyebrows in other countries, most of which believe in full disclosure. A recent review by the International Accounting Standards Committee found that all its member countries favour disclosure. Britain, for some reason, is an exception.

Disclosure has received official support from the Department of Trade. It was also considered a crucial communication link between companies and their financiers by last year's influential CBI City/Industry Task Force.

The proposed accounting standard says that companies should show in their accounts the amount of R&D written off against profits during the year, as well as separate development costs carried forward as intangible assets.

The argument that spending on R&D, while enhancing future earnings, is frowned on by shareholders because of its effect on immediate profits is not supported by the facts.

A US study of 324 companies in a range of industries, by the Securities and Exchange Commission, concluded that institutional investors favour companies with high levels of R&D. In fact, there is a small but noticeable increase in the share prices of companies in the days after they announce they are embarking on an R&D project.

Nevertheless, the objections from British finance directors persist – in three areas.

First, critics claim information on the total R&D spend gives no indication of future earnings, since outsiders cannot assess the quality or usefulness of the work. Comparing the figures for two companies in the same industry would be misleading.

In a typical submission to the Accounting Standards Committee on the proposed standard, Graham Rainey, finance director of Delta Group, said: "The relevance, quality and future earning capacity of the expenditure will be extremely difficult to judge, even in the light of an added commentary." Yet, since the readers of accounts must grapple with the significance of other difficult numbers, it is difficult to see why this alone justifies secrecy.

A more persuasive argument may be that the information is commercially sensitive, particularly for single-product companies.

"We would not want our competitors to glean information about our product strategy from variations in the published research and development figure," complained Adrian Hartless, accounting manager of Rover Group.

Yet this complaint is in marked contrast to the likes of Jaguar, which has made a positive virtue of its intention to increase R&D spending to 5 per cent of sales. Jaguar finance director John Edwards claims the company's rivals spend this amount and that his shareholders would be rightly worried if Jaguar did not keep up.

The third complaint is that the figures are subjective. Definitions of development spending differ, despite an attempt to define them in the standard. Some companies, for instance, may include a share of overheads while others do not. Also, the costing systems of many companies, particularly small ones, do not make it possible to arrive at a figure for R&D.

Not surprisingly, most companies want to cling to the current legal requirement which requires them to comment on R&D in their directors' reports. This requirement, enacted in paragraph 6(c) schedule 7 of Companies Act 1985, has given rise to meaningless and woolly statements of good intent in many companies' annual reports. It is hard to see how this meets demands for real information in this area.

Institutional Ownership, Tender Offers and Long-term Investments, Office of the Chief Economist, SEC (1985).

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ARTS

Television/Christopher Dunkley

Still in thrall to print

The series generally known as *Ten Great Writers* which was made for Channel 4 by Melvyn Bragg's department at London Weekend Television, has reached its mid point. Having viewed the programmes on Joyce, Conrad, Dostoevsky, Proust and Mann, and previewed those on Ibsen, Woolf, Pirandello, Eliot and Kafka, it seems clear that the most important part of the title is the phrase which has been largely ignored: the series is actually called *The Modern World: Ten Great Writers.*

Anyone making a series simply called *Ten Great Writers*, and choosing them from around the turn of the century, would have difficulty in justifying the inclusion of Pirandello, Woolf, Conrad and Mann and the exclusion of, say, Thomas Hardy, D.H. Lawrence, E.M. Forster and Henry James. But the phrase *The Modern World*, which, on screen, is much the biggest part of the title, indicates the central concern: we are dealing here with Modernism.

Even then there is scope for argument about who should be on the list. Doubtless foreign sales of the series will not be harmed by the international variety of those included; it embraces France, Germany, Italy, Czechoslovakia, Russia, Norway and Ireland as well as England, with Polish and American associations in Conrad and Eliot. But does the maximisation of the international mixture via Italy's Pirandello and Germany's Mann honestly justify their inclusion while such central Modernist figures as Pound and Yeats are excluded? And do Brecht and Chekhov really count for less than Pirandello in the Modernist pantheon?

It is hard to say, but the production of high quality, and demanding, programmes of this sort is increasingly the art of the possible, which means either co-production money or foreign sales, and it is no good ignoring that reality.

Once you have grasped the intention – to use television to define and exemplify Modernism via its literary manifestations, *for an audience which may never have read a single one of the key works* – the achievement looks quite astonishing. Nigel Wattis and David Thomas are the chief producer/directors (and writer/adaptors), Wattis being responsible for Joyce, Ibsen, Proust and Pirandello; and Thomas for Conrad, Mann, Eliot and Kafka. Kim Evans contributed the Woolf programme and David Hinton the Dostoevsky.

Between the four of them they have used numerous techniques; reconstruction of a lecture by Mann, academics and critics speaking to camera, extracts from film recordings of West End plays in the Ibsen, archive newsreel clips, factual information in voice-over (often from Melvyn Bragg), interviews, contemporary music (Holst for Conrad, Wagner for Mann and so on) and, above all, dramatisations of scenes from the books. Most of the programmes concentrate on illustrating and anyalysing a single book with passing reference to the author's other work: Joyce's Ulysses, Kafka's The Trial, Woolf's Mrs Dalloway.

With the dramatisation of novels, as distinct from the television adaptation of plays, there is, of course, the ever open trap which might be called telly tautology: the repetition in pictures of what is being expressed in words, and the series does not always avoid this. "Suddenly the face of Mr Vladimir appeared en-haloed," says the voice-over in The Secret Agent and bingo! the halo appears. The narrator tells us that Castorp's expression as he surveys his X-ray in The Magic Mountain is "dull, sleepy and pious" so poor Ben Daniels, the actor, adopts the look of a sick goldfish.

Yet the general standard of the drama inserts is high, and some are outstanding, containing acting of a quality which makes you want to see the entire work. The Secret Agent in the Conrad programme was a splendid example, with a particularly good cameo from Graham Crowden as the Home Secretary; Tim Roth is unpredictably but most successfully cast as K in The Trial; and Mrs Dalloway is tremendously tantalising because it is so well done and so rare.

Several times the thought occurred that perhaps more might be achieved in the way of conveying the essence of the Modern movement by simply dramatising a couple of these works in full than by spending the same budget on this series.

Dramatisation of extracts from a single novel being the general model, it is ironic and perhaps significant that the best programme of the ten, in my view anyway, is the Ibsen, which is different. Here Wattis has provided an account of the writer's entire life, and a review of all his work, given by Michael Meyer whose straighforward descriptions and forceful delivery contrast noticeably with the lit. crit. pretentiousness of his counterparts in some of the other programmes. Phrases such as "thematic interconnections" and "characteristic rhythmical-lyrical prose sentences" may look impressive in the TLS but they are not ideal for television commentary.

The important element missing from the series, and it is probably inevitable given the structure, is Sigmund Freud who was central to Modernism and whose influence posterity will surely see as chiefly literary, not medical. His work has been described as "a third blow to man's self-esteem" after those delivered by Copernicus and Darwin, and that blow probably contributed as much as any other single factor to the paralysing pessimism at the heart of Modernism.

The fact remains that anyone who manages to see half a dozen of these programmes, let alone the entire series, will acquire a remarkably clear idea of the Modern movement in literature and what it represents: in technique, experimentation and introspection; in content, paranoia and despair. Presumably some viewers, perhaps many, will be led by these programmes to buy the books, and some may actually read them right through, though probably not many, judging by the number of Forsyte Saga sets still around with just the first dozen pages of the first volume thumbed and the rest pristine.

The question I find most interesting is why people in television produce series such as this whereas they would never dream of making *Today's World: Ten Great Television Productions*. In LWT's publicity material for *The Modern World: Ten Great Writers* Melvyn Bragg, editor of the series, says of the writers "To some extent we still live in their shadow," and to a limited extent for a limited number of – mostly university educated – people that is true.

But if cultural impact is really your concern the overwhelming majority of the television audience has been much more powerfully affected by *The Singing Detective, Heimat, Boys From The Blackstuff, Das Boot, Talking To A Stranger, La Piovra, Bread Or Blood, An Englishman Abroad, Edge Of Darkness*, and – dare one suggest it – *Z-Cars* or even *Minder*.

Some of these works have a less profound concern with the human condition than some of the modernist novels, but it could be argued that in *Talking To A Stranger* we have an approach to reality which is as original as Pirandello's, and a good deal more helpful to the audience; and that in *The Singing Detective* television has an exploration of childhood, the passage of time, the totemic significance of familiar objects, and the power of mnemonics (thirties' songs or an upraised arm rather than the ting of a teaspoon or the flavour of a madeleine) which has about it much of the texture and richness of Proust with the huge advantage that it was actually created for the television medium.

It is hard, almost impossible, to escape the feeling that television's first generation of producers and administrators, raised on books from Janet and John in the nursery to Wittgenstein at university, are still in thrall to print.

That is neither surprising nor particularly deplorable. But as television becomes the second great mass medium to convey to the public the essential nihilism of the Modernist writers it may be worth remembering that on 21 July 1969 we saw Neil Armstrong stepping down into the Sea of Tranquility and becoming the first man to set foot on another planet. With a post-modernist world blighted by man's new found ability to destroy himself and his own planet, there was, in that step of Armstrong's, a glimmer of optimism for the human race; a glimmer perhaps as bright as that created by Columbus in 1492, one year after Caxton's death, and it was not conveyed to us by print, but by television.

Roger Rees (right) portraying Marcel Proust

O Babylon!/Riverside

Martin Hoyle

This is a rum do: an ostensibly Jamaican reggae musical created by such sophisticated talents as Galt MacDermot of *Hair* and the poet Derek Walcott. Inevitably the result has a slightly artificial flavour, hinted at in Mr Walcott's tortuously verbose prefatory note (the piece was published in 1978 and has been performed in the West Indies) which declares that translating Rastafari speech is an act of betrayal and defines the show's idiom as "filtered" adaptation.

In the event, most of the lyrics and much of the dialogue are indistinct, despite the large hand-mikes the singers produce from about their persons at crucial moments and which lead one to expect the clunk of teeth on metal as profiles converge for the climactic clinch in love duets. Oddly, too, the sound resolutely emerges from the right-hand of the auditorium, wherever the actors happen to be.

Ellen Cairns' set is dominated by white drapery gracefully suspended centre-stage, its tent-like points evoking crusader encampments, finally rearing into the mountain peaks whither the Rasta convert and former petty criminal, *Rufus*, leads the dispossessed community. The tents represent the Rastafarian beach settlement which the Zion Construction Company is out to disperse in the name of progress; and Mr Walcott's songs for the nasties have an ironic Brechtian simplicity that works much better than the rather woolly-minded mysticism of the Rastas' inexplicable worship of Haile Selassie.

When the Rastafari salute their god with upraised fists and cries of "Jah!" one is fleetingly whisked back to the best tribal rock musical of them all.

Mr MacDermot's music occasionally recalls his greatest triumph. It mercifully escapes the reggae straitjacket; even when that characterisitc rhythm, a cross between a slouch and a trip, is present, a flexible melodic shape and sinuously protracted verbal line is more redolent of Burt Bacharach or Lloyd Webber in Argentinian mood than the thumping insistence of the Caribbean original. *Monotony is not avoided in the* course of the evening. At the risk of arousing the wrath of the programme's chronicler of Caribbean achievement (who condemns the Guardian for not treating Marcus Garvey as "one of the greatest men of the century"), I would place reggae several notches below Beethoven as a cultural phenomenon.

Yvonne Brewster's production for the Talawa Theatre Company is jolly and lively, but could do with much more bite. The villains are an innocuous lot; the officious Mrs Powers, sidekick to property developer Otto Doxy, should be a cross between Mary Whitehouse and Mrs Thatcher, not the pretty little cutie-pie that Josephine Melville makes of her. The show would benefit from much more of Roger Griffiths' tubby "Rude Bwoy," trickster and comic conniver, though one number for a group of night-club hostesses (blaming their fall from virtue on "de pressure") hits the satirical target spot-on. Mona Hammond contributes another notable eccentric; Marcia Johnson is sweet-voiced as a reformed tart; and the splendid Sharon D. Clarke swaggers disreputably despite a striking physical resemblance to *Jessye Norman (rather less* marked when doing cartwheels).

Dame Wendy Hiller in a geometric feathered hat as Lady Bracknell, drawn by his fellow actor, Clive Francis. A large exhibition of Francis's caricatures, sponsored by Mobil, has opened in the NT's Lyttelton Circle foyer (until March 26).

The style is bold and slightly mischievous, the firm and fluent line similar to that of Hirschfeld's drawings in the New York Times. But the self-taught artist is not so much a sketcher as a designer.

Like the drawings by Nerman in The Tatler of the 1920s, his compositions make elegant contrast between line and mass and often extend a figure into patterns and fabrics: a bulbous tummy and cloak for a stubble-scalped Anthony Hopkins; a startled frozen quiff for a cockatooish Samuel Beckett, in beady profile behind black Joycean spectacles; and serrated eyebrows and epaulettes for Olivier's thuggish Strindbergian Captain.

M.C.

How The Other Half Loves/Greenwich

Michael Coveney

Alan Ayckbourn's very funny 1969 comedy receives a timely and beautifully organised revival at Greenwich. Robert Morley played Frank Foster in the original London production, by all accounts upsetting the rhythms of the text while going on the inimitable rampage and turning this most ambitious and original of Ayckbourn's early plays into a big hit. It played for well over 800 performances.

In Ayckbourn, there are no star parts, just lots of very good ones in an ensemble brew. The fine mesh we have gotten ourselves into here stems from the superimposing of one living-room on another. The posh Foster couple (he is the company boss) and the rowdy, domestically unkempt Phillipses (Bob is employed by Frank) are interleaved along with their furniture.

The entwining extends to an adulterous affair pursued by Fiona Foster (Gabrielle Drake) and Bob Phillips (Stuart Organ). Each couple uses a third couple, "the bright little accountant" William Featherstone and his wife Mary, as an alibi ploy. In the famous dinner-scene, a triumph of logistical complexities, the Featherstones are entertained simultaneously, but on successive evenings, in the two living-rooms, at an intersecting double dining-table.

There are rich sequences of comic embarrassment, rooted in class distinctions, in the first act. The tentative sipping of sherry by the Featherstones, dispensed by Miss Drake in a devastating miasma of impregnable, unhurried condescension, is interrupted by tugging at gloves, curious belching noises and William's muttered instructions. Meanwhile, on the following evening, Theresa Phillips (Louisa Rix) is getting up a good head of hysterical steam while noting that the soup tastes like anti-perspirant. The action, perfectly directed by Alan Strachan, climaxes in the double misfortune for the Featherstones of a thrown tureen in one house and a leaking toilet in the other.

Christopher Benjamin's Frank has a Morleyesque portly, avuncular authority, but he also digs deep into the role to find an insecurity masked by bonhomie. One weakness that results is Benjamin's Frank, merely for the sake of structural knot-tying, arranging a blind date (with Theresa). I did not believe it because Mr Benjamin had led me elsewhere with the character. Otherwise, the mechanics are in good working order.

The fine social tensions are most evident in the lovely portrayals by Richard Kane and Lavinia Bertram of the Featherstones. The first is a stooge and a victim, keen to make the right impression but nervous of risking his dignity, upon which he stands with ludicrous emphasis. Mr Kane's performance is a masterpiece of accommodating, fussy little gestures, every now and then topped off with a stupid manic grin. Miss Bertram, one of Ayckbourn's finest interpreters, exudes a simple radiance not even dented by the conviction that Theresa is having an affair with a Mr Carry-cot, "the editor of The Guardian."

Alastair Muir

Gabrielle Drake and Christopher Benjamin

Zola's Nana/Mermaid

Claire Armitstead

The Mermaid enters its post-RSC era with as raunchy and uncorsetted a piece as one is likely to find this side of the Folies Bergères. Shared Experience do to Zola's novel *Nana* pretty much what Zola himself did to France under Napoleon III: they undress it and parade it, warts and all, and what becomes glaringly clear during the course of Jane Gibson and Sue Lefton's rambunctious production is the size and extent of those warts. The rambling structure of the novel, and its antithesis of fleshly excess with a really rather dreary society peopled by singing virgins with fat dowries, pierces the froth and finery of appearances with a repetition as mundane and coarsening as that of the brothels it depicts.

When the production opened at Islington's Almeida Theatre my colleague Martin Hoyle bemoaned its lack of style. Certainly it affords few glimpses of the culture that decorated many a worldly bosom; but everything about it, from Olwen Wymark's gutsy translation onwards, is geared to portraying the world in terms of its delusions. Most effectively, the part of Nana is tossed from performer to performer, becoming a mother to the infatuated boy Georges, the whore of Babylon to the lusting count Muffat and an unwanted baggage to her actor lover Fontan. The substitutions (at one point, even by a man) are watched by Belinda Davison as the "real" Nana, a mess of tumbling locks caught on the turn between a yowl and a simper, who becomes sphynxlike in repose.

The device goes a long way to disposing of the problem of portraying on stage a woman who, while singing hopelessly out of tune, can bring the whole of Paris to its knees. Where the production, and Kenny Miller's design of mirrored screens and huge theatrical pillars, work is is in their intimation of the variety and intoxication of the delusion: from Ric Wadsworth's callow Georges, skinny in his long johns, to Peter Sproule as Muffat, fallen pillar of respectable society, and John Joyce as the dull little banker who sets Nana up in the world, each has a fantasy, a price and a gratification and none is ultimately able to possess what he most desires.

South Bank attracts record audiences

The South Bank concert halls attracted record audiences during September – December 1987: over a quarter of a million people visited the Royal Festival Hall representing average attendances of 73 per cent – the highest for ten years. The four London orchestras achieved a fifteen year record with an 85 percent audience, while the London Festival Ballet's *Nutcracker* performed to 94 per cent houses.

The Queen Elizabeth Hall and the Purcell room showed steady growth with attendances standing at 56 per cent and 49 per cent respectively: *Mass Carib*, the South Banks' first co-promotion with the Albany Empire, Deptford averaged an 88 per cent house in the Purcell Room.

Arts Council disappoints Big Four

This is bad news week for the Big Four leading British arts companies – the Arts Council is raising their basic grants for 1988-89 by less than the certain increase in inflation.

The Royal Opera House, Covent Garden, gets £13,491,270, two per cent more; the Royal Shakespeare Company receives an additional 2.5 per cent, at £5,326,500; the English National Opera is reasonably favoured with a 2.7 per cent jump to £6,917,000; while the poor old National Theatre has, in the short term, a frozen grant of £7,811,400 until it supplies the Arts Council with a three year plan showing that it will break even by the end of the period. When that arrives it will get just £105,600 more.

In practice the position of the National Theatre is even worse. Like all the companies that qualified for replacement funding following the abolition of the metropolitan councils that aid has been cut by £1m. overall. For the National it means a loss of over £30,000.

Sir Peter Hall, director of the National, was naturally indignant yesterday on hearing the news. "We are in an economy that claims it rewards success, yet we are being penalised for *doing well*." Sir Peter pointed to the National's big audiences; its awards; its back stage innovations; its doubling of sponsorship revenue, and its 32 per cent rise in self earned income in three years.

There are possibilities of receiving extra cash. Covent Garden has been guaranteed another £500,000 to cover the international trips of its ballet companies, and the RSC should get more for its UK touring. There is also the chance that *the four will qualify for some* of the £3.5m in the Incentive Fund that the Arts Council will start to distribute from September. The RSC is hoping for £250,000 from the Fund, but could well be disappointed. The general impression is that the London based companies are still the losers from the Arts Council's Glory of the Garden policy which switches money from the capital to the regions.

Although the Arts Council seemed to receive a generous grant of £150m (as against £138.4m in the current year) from the Minister for the Arts for 1988-89, a substantial slice of the increase was ear-marked for such initiatives as the Incentive Fund through which the Council rewards arts companies that boost their income through their own efforts. The basic grant is only 4 per cent higher.

And the Council's 270 directly funded clients are not going to get an across the board 4 per cent. As Mr Luke Rittner, secretary general of the Council, said yesterday "overall increases are a thing of the past." An undisclosed sum has been given to the various panels – theatre, music, dance, etc, – to be distributed to special development projects, and basic grants will be raised from nothing to 5 per cent, according to the perceived merit of each arts company. There could be some Council clients who get nothing at all.

The Big Four are unlikely to qualify for any of the development money. One sector which is sure of aid from this source is ethnic arts. At least £500,000 extra is earmarked for black groups, a very substantial rise on the £4m they currently *receive. Literature and video* are also blessed. There is also £1.5m. for touring.

The 1988-89 grants for arts companies will be announced over the next few weeks but will be for one year only. In April, *when the Arts Council* has received all the three year plans from its clients, it will pledge its aid for the next two years.

Antony Thorncroft

Arts Guide

February 5-11

Theatre

LONDON

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, Gemma Craven failing to wash the baritonal Emile Belcourt *out of her hair.*

Shirley Valentine (Vaudeville). Pauline Collins in fine and funny monodrama by Willy Russell of liberation for a Liverpool housewife on Corfu. Shades of Ibsen's Nora and Beckett's Winnie, with jokes. (836 9987, CC 379 4444)

A View from the Bridge (Aldwych). Michael Gambon as *Arthur Miller's* Eddie Carbone gives one of the greatest performances of recent years. Alan Ayckbourn's supple National Theatre production camouflages the play's flaws. Ends Feb 20 (836 6404, CC 379 6233).

A Wholly Healthy Glasgow (Royal Court). Scabrously funny new play by Ian Heggie, structurally similar to David Mamet's American Buffalo, but set in a back-alley Glaswegian health club. No simultaneous translation provided. (730 1745).

The Phantom of the Opera (Her *Majesty's*). *Spectacular emotionally nourishing* new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Dave Willetts has succeeded Michael Crawford as the Phantom. (839 2244, CC379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. Four *new songs, improved book by* James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399).

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good. (836 3028, CC 379 6565).

A Small Family Business (Olivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. (928 2252).

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221-1211).

Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to *trendy music is visually startling* and choreographically feline, but classic only in the sense of a rather staid and over-blown idea of theatricality. (239 6262).

42nd Street (Majestic). An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film, like Shuffle Off To Buffalo, with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert). The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for *eight years but also updated the* musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Phantom of the Opera. The Majestic Theatre, stuffed with the Maria Bjornson gilded sets, rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London. But so hard are tickets to come by that travel companies are advertising packages to London with promises of tickets to see the show there. (239 6200).

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor preferably British. (947 0033).

WASHINGTON

Enrico IV (Arena). Pirandello's mystery of the man who imagined himself as Emperor Henry IV of Germany is staged by Zelda Fichandler. (488 3300). Ends Feb 21.

CHICAGO

Passion Play (Goodman). Peter Nichol's clever twinning of the major characters as they conduct a duplicitous affair adds a sharp edge to the view of contemporary life in London. (443 3800). Ends Feb 13.

TOKYO

Bunraku (National Theatre). The puppet theatre is one of Japan's most refined art forms and its greatest writer, Chikamatsu, has been compared with Shakespeare. Three of Chikamatsu's plays are featured in the bunraku company's performances this month – one of them being his adaptation of the Noh play Sumidagawa which Benjamin Britten turned into Curlew River. Separate programmes at 11.30am, 3pm and 6pm. *Excellent earphone commentary in English.* (265 7411). Ends Feb 21.

Kabuki (Kabuki-za). Sugawara Denju Tenarai Kagami (The Secret of Sugawara's Calligraphy). Acts 1-3 at 11am; Acts 4-6 at 4.30pm. The play is loosely based on the life of a master calligrapher of the ninth century, but its main appeal lies in the character of triplets who are retainers to three deadly rivals and become the victims of divided loyalties. The sixth act was rendered into English by John Masefield as The Pine. (541 3131). Ends Feb 26.

35 Steps (Aoyama Theatre). The Shiki Theatre Company is 35 years old this year. This musical revue highlights past, present and future Shiki productions – from West Side Story to Phantom of the Opera. There is also a rather tiresome tribute to the French chanson. (0120 489444). Ends Feb 21.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
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Wednesday February 10 1988

Next moves in Afghanistan

AFTER YEARS of false hopes for a resolution of the Soviet occupation of Afghanistan, there now seems to be a real chance that the first Russian soldiers will be heading home before the end of May. But a vital question remains unanswered: what happens to Afghanistan then?

The Soviet occupation at the end of 1979 was ostensibly to prop up a shaky Marxist Government. It was clear from the moment Mr Mikhail Gorbachev took over as Soviet leader in 1985 that he had little sympathy with the existing stalemate. Around 115,000 Soviet troops were tied down, unable to contain the multiple mujahideen guerrilla groups whose skill at operating in inhospitable terrain was aided by the provision of sophisticated weaponry from the West, notably the United States.

Retreat

Mr Gorbachev came to the only possible pragmatic decision: proclaim victory, or at least a draw, and beat a hasty retreat. This week he has reduced his withdrawal timetable (once four years) from 12 to 10 months and it is still possible, once the operation is under way, that his Foreign Minister's ambition to be out by the end of 1988 could be realised.

Clearly, much more of this was discussed at the last summit between Mr Gorbachev and President Reagan than was apparent at the time. Much of the credit for clearing away the remaining obstacles lies with Mr Diego Cordovez, the UN mediator, who has shuttled relentlessly between Islamabad and Kabul to find a solution.

So, the peace talks between Pakistan and Afghanistan resume in Geneva on March 2 and, barring the unexpected, the Russians will be on the move 60 days after the withdrawal agreement is signed. But neither Mr Cordovez as an individual, nor the Geneva talks as a forum, have any brief to consider — let alone construct — a government for newly "liberated" Afghanistan.

Mr Gorbachev seems to have washed his hands of the problem, saying it is a matter for the Afghans "and nobody else" — although part of his agreement to depart requires all western aid to the guerrillas to cease. It is unlikely that, given its long frontier with Afghanistan, Moscow can really be indifferent to the successor regime. But Mr Gorbachev appears to be dumping President Najibullah, head of the Soviet puppet regime in Kabul, for whom an honourable retirement within the Soviet Union may be on the cards.

Extreme

Not surprisingly this state of affairs is beginning to alarm Pakistan. It should also be of concern to the international community. The prospect of civil war is real if the Soviet Union leaves *behind* a power vacuum with seven heavily armed mujahideen groups fighting each other and the Communists to fill it.

Pakistan, host to the mujahideen leaders and over 3m Afghan refugees, is worried about the prospect of chaos on and across its borders. Hence President Zia's Government, together with India and the Soviet Union, has been keen to promote the idea that ex-King Zaher Shah might return from exile in Rome to be titular head of an interim government in Kabul. But it is not clear that such a plan can have a realistic chance of success while the more extreme and Iranian-backed fundamentalist groups oppose it.

All the interested parties, including the two super-powers and, ideally, Iran, should now be working hard to find an acceptable solution to the interim government conundrum. An answer needs to be announced, perhaps by a senior non-aligned leader, more or less simultaneously with the withdrawal agreement. Such an accord will need UN endorsement (preferably without a UN physical presence) and, above all, an unprecedented show of East-West unity to make it stick.

Iowa's winners and losers

IF THERE was one message that mattered out of the Iowa caucuses on Monday night, it was that Vice President George Bush can take nothing for granted. The state that gave him fleeting hope in his fight for the Republican nomination in 1980 against Ronald Reagan this time chose to highlight a singular omission in his long record of public service, that he has never been good at winning elections on his own. The setback is not fatal, but momentum, a real factor in the protracted US election system, is not with him now.

Activists

Beyond that, the waters are not much less muddy than they were before some 200,000 Iowans, mostly activists and representing only about an eighth of the state's voting population, cast their verdict. Predictably, regional loyalties counted, to the benefit of two neighbours, the Republican Senator Robert Dole and the Democratic Congressman Richard Gephardt. Inevitably, some candidates, Gary Hart and Bruce Babbitt among the Democrats, and Pierre Dupont and Alexander Haig of the Republicans, were surely finished, with only Mr Babbitt, a man of some original ideas and humour, leaving a void. The rest are, in differing degrees, still in the game.

The relative success of Mr Pat Robertson, the television evangelist, in coming second in the Republican contest to Senator Dole is bound to attract attention. His performance speaks volumes about the ability of committed supporters to influence a narrowly based selection process, but it is hard to see him carrying his crusade far in bigger states outside the Bible Belt. Even tiny New Hampshire, which holds its primary next Tuesday, looks like a stumbling block, because it harbours few evangelicals and because Jack Kemp, from nearby New York, will be competing for the hard-core conservative vote.

Mr Robertson's extreme conservatism, however, worked in Iowa and proved yet again that it is the wings of both parties which invariably flap most effectively in the early primary going. The influence of the Republican right at grass-roots level cannot be discounted, a fact which must worry Mr Bush, a presumed, if not actual, moderate, more than the eternally flexible Senator Dole.

Similarly, on the Democratic side, the left has started well, as it often does. Between them, Mr Richard Gephardt and Mr Paul Simon pulled in well over 50 per cent of the Iowa vote. Senator Simon is a fairly conventional liberal, whereas Congressman Gephardt has wandered from mainstream Democratic politics to his current manifestation as something of a prairie populist.

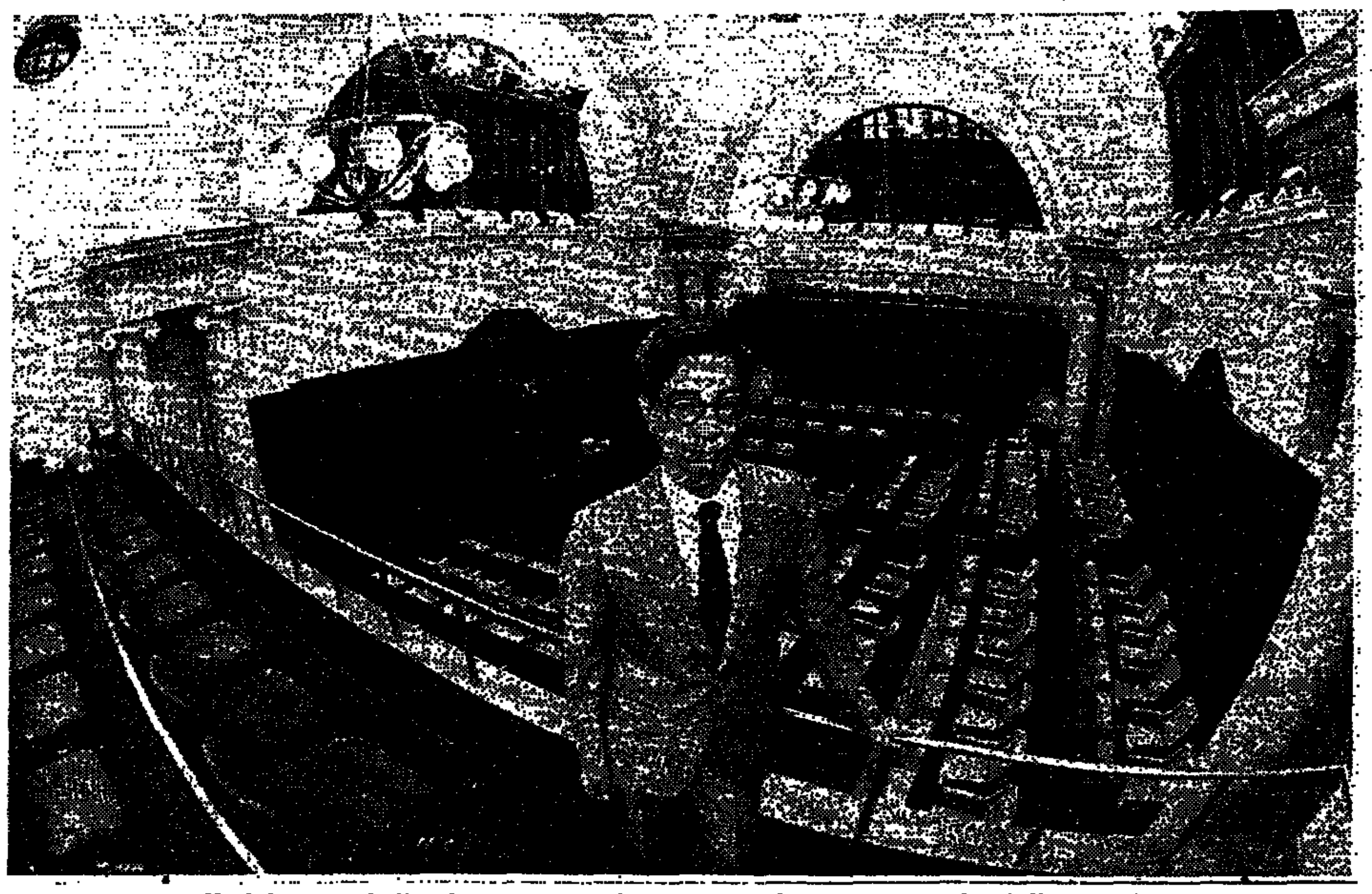
Both are associated with protectionism, particularly Mr Gephardt, a driving force behind the omnibus Trade Bill now before Congress. The congressman's additional pitch in agricultural Iowa was advocacy of what seems to amount to a national food producers' cartel. This may not play as well in the consuming states, nor indeed in other farm belt states, which are enjoying something of a recovery. It would be premature to conclude from Iowa that opposition to free trade is going to be one of the great electoral issues of 1988.

Lessons

Certainly Governor Michael Dukakis from Massachusetts did well enough away from his own base to be encouraged that the coming New England primaries will strengthen his candidacy — and he is no reflex protectionist. Senator Albert Gore and the Rev Jesse Jackson are also biding their time until Super Tuesday on March 8.

Thus, the lessons of Iowa, to the extent they exist, seem more for the Republican Party than the Democrats. Vice President Bush now has to prove he can fight back. All the Democrats have to do is go on fighting.

A turnabout by Peking has increased anxiety in Hong Kong. David Dodwell previews today's White Paper on reform in the colony



Martin Lee: son of a Kuomintang general and ardent protagonist of democratic reform in Hong Kong

Weak anchor for a colony adrift

ALMOST 26 months ago, in November 1985, Xu Jiatun, head of the New China News Agency in Hong Kong and, in all but name, China's ambassador to the British territory summoned selected Chinese journalists to his first press briefing.

Known as a man of smiles and few words, he warned darkly that certain parties were deviating from the spirit and principles of the Sino-British joint declaration — a blueprint for the transfer of Hong Kong to Chinese sovereignty in 1997 that was unveiled in 1984 after two years of secret negotiation.

Shaking a copy of the joint declaration above his head, he warned that "misfortune" could result if Britain worked towards a different kind of political system in 1997 from the one China had in mind. He was confident that Britain would consider the problem "sensibly and with a sense of responsibility."

He also introduced a new word into the Sino-British lexicon — convergence — which has acquired almost mystical force in Hong Kong since. The principle of convergence committed Britain to steering reform to a point in 1997 where the colony's political system would converge with that chosen by China, whose own blueprint, the basic law, is likely to be drafted later this year.

Xu Jiatun should be pleased with the colonial administration for being as "sensible and responsible" as he always trusted it would be. This afternoon, when Hong Kong publishes the White Paper providing for political reform in Hong Kong over the next nine years, 26 months of meticulous Chinese diplomacy aimed at getting the colony's administration to put the brakes on will be seen to have been worthwhile.

Commitments made by the administration in 1984 to direct elections for Hong Kong's supreme law-making body, the legislative council, have deftly been redefined. Suggestions that legislative councillors should develop ministerial responsibilities and that members of the executive council — Hong Kong's inner cabinet — should be directly elected have been jettisoned. Both concepts had been fiercely opposed by Peking and, bearing in mind the commitment to convergence, the colony has dismissed such radical reforms as impractical.

Unhappily for an administration already pilloried by advocates of democratic reform as a lame-duck and ever-anxious to lick Peking's boots, the principle of convergence looks set to disappear as suddenly as it appeared. The turnabout emerged in Guangzhou (Canton) two weeks ago, when members of Peking's basic law drafting committee assembled to discuss the constitution of Hong Kong after 1997. The territory is then due to become a special administrative region of China, enjoying a "high degree of autonomy."

Hong Kong had assumed that Peking would agree to minimising disruption during the handover by rubber-stamping the authority of the legislative council in office up to June 30 1997. The Hong Kong authorities had assumed that, if Chinese demands for convergence were satisfied, the legislative councillors would resign, swear allegiance to Peking on July 1 and be reinstated automatically. However, Peking made clear in Guangzhou that it would view such an arrangement as a charade. "The exercise of sovereign right cannot be a show," said Li Hou, deputy director of the state council's Hong Kong and Macao Affairs Office.

Instead, Peking aims to appoint a grand electoral council some two months before the transfer. That body will choose the legislative councillors and the chief executive to assume office on July 1. Thus China has effectively torpedoed the convergence concept that was its own creation in the first place.

Mr Frank Ching, one of Hong Kong's most incisive political commentators (and a committed advocate of democratic reform), drew the obvious moral: "Since Chinese officials are now saying that they will dismantle whatever exists in 1997, it relieves Britain of any responsibility to seek 'convergence.'"

Someone in the colonial administration may yet feel the time has come to call a press conference, wave a copy of the joint declaration, and talk of "certain parties deviating from the spirit and principles of the declaration."

But it seems unlikely. In any case, are Hong Kong people really baying for democratic reform? Do they want democracy? Are firebrands like Martin Lee, who has led two delegations to London in the past two months to lobby for democratic reform, champions of the territory's silent majority, or pressure-group politicians seeking change on behalf of small but vociferous sectional interests?

A decade ago Richard Hughes, Hong Kong's most renowned author, who died three years ago, said: "Hong Kong persists, on borrowed soil and borrowed time — because it *is* China, and because it affects no suicidal pretences of democracy or independence. To the distress of local 'white liberals' and the incomprehension of visiting Socialists from London, there is no articulate political sentiment and only negligible popular interest in a wider franchise or expanded powers for the urban council, far less in demands for self-government."

Since then two Governors have come and gone — Sir Murray MacLehose, and Sir Edward Youde — both in their different ways committed to a less despotic kind of government. But less than a month ago, Sir David Ford, Hong Kong's Chief Secretary, reminded local people that "there has always been a limit to constitutional development" in the territory. He insisted that Hong Kong was very different from Britain as well as from China and emphasised that "continuity" meant that the administration of Hong Kong must be carried out in essentially the same way as in the past.

This must be music to the ears of Xu Jiatun, but to the advocates of democratic reform who have been campaigning for direct elections to the legislative council to be introduced this year, it smacks of political cowardice and *Realpolitik*.

Unhappily for the government, it bases its claim that there is no clear majority for reform this year on opinion surveys that have been condemned even by the Hong Kong statistical society. In contrast, reform campaigners point to polls conducted regularly during 1987 that show a gradually increasing majority in support of democracy. The latest poll in December by marketing decision research (MDR) shows that 78 per cent of those questioned wanted direct elections to the legislative council. Of these, 53 per cent wanted such elections this year.

The increasingly convincing evidence of popular interest in greater democratic involvement would be less easy for China to dismiss if different campaigning groups could, once in a while, present a united front. Hong Kong members on Peking's basic law drafting committee might have exerted irresistible pressure on China for reform if they had, at any point, managed to speak with one voice. Instead, they have spent much of the past two years bickering in public and perplexing mainland officials. Peking's bureaucrats may have deliberately adopted a divide-and-rule approach at first, but at times would have liked nothing better than evidence of a Hong Kong consensus.

In the political sub-committee of the basic law drafting committee, the bickering has been especially crippling. The Hong Kong members are presenting four different sets of proposals on how the post-1997 legislative council should be set up and five on how the future chief executive should be selected.

Despite the confusing signals and the fierce opposition to change from the barons of Hong Kong industry, it seems that Martin Lee and the growing group of political activists around him do represent a critically important political constituency. Numerically the group is not large, but it is made up of just those people Peking should be anxious not to alienate. It attracts Hong Kong's fast-growing professional classes — ranging from solicitors and doctors to engineers and university lecturers. It also includes the technocrat, middle-rank executives of major corporations such as Hong Kong Telephone, the Hongkong Bank, and China Light and Power.

Such people make up the flesh and blood of Hong Kong's present emigration statistics. The Chief Secretary concedes that the gross emigration total for 1987 is likely to be 60,000. Assuming that the net figure is just 40,000, and that half of those are dependants, this still means that about 20,000 professionals are leaving Hong Kong each year. Almost 200,000 will have left by 1997 — from a territory with a total workforce of 2.7m.

Sir David Wilson, Hong Kong's Governor for the past year, has said that migration has been a fact of life in the territory for four decades and that the current figures do not amount to a new or significant trend. He is right on the first count, but conversations with heads of any of Hong Kong's big companies throw grave doubt on the second.

China too has begun to realise that migration on this scale is cause for concern. Xu Jiatun broke silence in mid-December to call on Hong Kong people to reconsider plans to emigrate and asked those already overseas to return.

The problem for Martin Lee and others like him is that democratic reform — seen as a bulwark against mainland Chinese interference after 1997 — might well not prove the solution he hopes for. The emergence of highly organised pro-China candidates in campaigns for district board elections now under way provides evidence that the initial victors in any local version of democracy will probably be Communist-backed. It would be a short step for rival pro-Taiwan interest groups to turn Hong Kong into a political battleground.

Perhaps Mr Lee is not quite so naive. As the son of a former-Kuomintang general, and a committed Roman Catholic, he is likely to be well aware of Taiwan's aims in the British territory — and of Communist paranoia over its supporters' presence.

For many in the territory — not least the mainland Chinese who are not at all eager to see Communist sympathisers in the territory slay a capitalist goose that is a prolific layer of golden eggs — democracy would be more of problem than a solution. Thus Britain's willingness to be "sensible and responsible" may make more sense than the lobbyists for democracy are prepared to acknowledge.

Unhappily, this is unlikely to make it any easier for Hong Kong officials, or for those from mainland China, to buoy flagging confidence among the territory's professional classes. As Dr John Young, vice chairman of the Hong Kong Affairs Society, commented recently: "Hong Kong is desperately in need of any symbolic gesture to anchor its drifting sense of confidence." One would like to think that today's White Paper will provide such an anchor. But on the signals received so far, hopes cannot be high.

OBSERVER

Perle still shoots

■Richard Perle, the man who used to be one of the principal hawks in the Pentagon when he was number two to Caspar Weinberger, has mellowed slightly since he returned to private life. He *thinks* that the treaty on the elimination of intermediate nuclear forces between the US and the Soviet Union should be ratified, provided the US Senate inserts an amendment allowing the continued deployment of non-nuclear cruise missiles. A few thousand of these, permanently aimed at such sites as Soviet bridges and key communications systems, could make all the difference, he says.

He remains hooked on President Reagan's strategic defence initiative — better known as "Star Wars". Turning to the array of spears, lances, swords, breastplates and cod-pieces on display in the Armourers Hall where he was speaking yesterday, he said: "These were all defensive weapons in their time. We needed such a category then and we need it now."

Perle's presentation was at a lunch given by Prudential-Bache Capital Funding. He has kept that slightly teasing, somewhat hostile attitude to the Soviet Union characteristic of so many US arms control negotiators.

He told a story about a man standing in a queue in Moscow for black market vodka and getting pretty desperate for a drink. So he announced he was going to assassinate Gorbachev. Half an hour later he came back. "I thought you were the guy who went off to shoot the General Secretary," said someone still waiting. "Yes," came the reply, "but that queue was even longer."

He must have got it from a Russian.

Synod sackcloth

■The tragic background to yesterday's General Synod debate on the Crockford preface could not prevent the clergy enjoying moments of light relief among the penitent and sometimes moving pronouncements on the work of the late Dr Gareth Bennett.

Dr Bennett, who penned the preface which caused an outcry in its criticism of the Archbishop of Canterbury, Dr Robert Runcie, was found dead last December in his fume-filled car.

It was soon clear in the wake-like debate that the assembled members had come not to bury Bennett but to praise him. The Ven David Silk, Archdeacon of Leicester, went so far as to ask the members to "cast their minds back 400 years" to 1588 when anonymous attacks posted in the streets of London had described the bishops as "swinish rabble" and the Primate himself, the "Beelzebub of Canterbury." "Criticism is not new," he said.

If the story of the preface is ever published in paperback Silk's comment that "the whole affair has within it all the classical elements of sin" would almost certainly qualify for a quote on the back cover.

"I hear the Chief Whip has offered to test this electronic tag scheme on those who voted against the Government."

Latin Rivals

■Only two candidates are serious front runners after submissions closed last week for the presidency of the Inter-American Development Bank, one of the most prestigious posts in Latin America.

The most heavily canvassed is Enrique Iglesias, the Uruguayan Foreign Minister; but he still has to find more friends in Washington to be assured of the job. His rival is a quiet compromise candidate, Jaime Garcia Parra, a former Colombian Finance Minister and World Bank director.

Iglesias has proved a gifted behind-the-scenes broker in Latin American diplomacy, pushing Uruguay's neutralist role. However, having helped bolster democracy in the transition from military rule, Uruguay seems too small and he has longed for a wider role leading an international institution. He was one of the names put forward in the recent election for Secretary-General of UNESCO and has the backing of the majority of the Latin American chancelleries for the IDB job. But Iglesias is still wary.

He suspects his background, as executive secretary of the UN Economic Commission for Latin America, puts him too openly in the camp of those supporting radical anti-IMF solutions to the debt crisis. In contrast, Garcia Parra is less controversial with a broader experience of industrial problems. A one-time LSE student and former ambassador to the Court of St James, he is currently running a large private steel group in Colombia. He may be more capable of dealing with Washington at a time when the US is seeking to change IDB voting procedures to give it more control.

Iglesias supporters claim the coolness of Washington is largely mythical and that he has a firm friend in Mr Clayton Yeutter, the US Trade Representative, who saw his skills at first hand during the last GATT round in Uruguay. Britain's voting in the IDB is not influential in itself, but Iglesias, who is in London for three days this week, is doing some lobbying in the hope that the Anglo-US axis still works.

Only a breeze

■Funny how numbers have been devalued since the October hurricane and Black Monday. A stock market fall of 40 to 50 points is now regarded as a minor affair. And on Monday evening the weatherman, forecasting the new storms ahead, said that there would be winds of "only" 90 mph.

Something rotten

■Lightly disguised characters from the stories of Hans Christian Andersen who display contraceptives in Denmark's television advertising campaign against AIDS have barely caused a comment among a tolerant public. Neither did anyone seem to be upset by a poster campaign on Copenhagen buses in which an 18ft condom was displayed along the sides.

Monday night's AIDS slot was a bit much for some, however. A Jutland pastor, Preven Brohus, has said he will report the campaign to the police for breaking the Danish laws on pornography — believe it or not, there are some.

Hackles rose when the AIDS campaign switched from advocating the use of condoms in the name of "safe sex" to a programme on Monday night which gave a fully explicit demonstration of how a condom is fitted. The programme rounded off with shots of a naked couple on a bed.

Clerical outrage was not shared by the television critics, who generally thought the programme was successful.

Cool under fire

■Perhaps the French have the last word on hotel fire warnings. A lady reports seeing in her room in Central France: "En cas de feu, gardez votre sang-froid."

Judy Dempsey on Austrian reluctance to confront Kurt Waldheim's past

A people fighting shy of history

HOURS after the international commission of historians presented its report on the wartime activities of Mr Kurt Waldheim, the Austrian President, to Mr Franz Vranitzky, the Chancellor, the President appeared on television.

He seemed completely unperturbed by the report which is extremely critical of his record as a German army officer during the Second World War. He repeated yet again that he was not a war criminal. For him, that was enough to continue in office.

In one short interview, Mr Waldheim managed to play down, almost dismiss, the report's findings on what he was actually doing between 1938 and 1945. This is a period of history which is not widely discussed in Austria, nor do school books explain that Hitler marched into Austria on March 11, 1938 virtually unopposed.

One of the main reasons for this "blank spot in history" is that the Austrians, unlike the West Germans, never had to confront seriously their role in the war. When the allies reached Austria in 1945, the country was declared "the first victim of Nazism" for reasons which have not yet been fully clarified.

"From then on it was easy," one of the historians on the commission commented privately. "Austria kept silent about its role in the war because Austrians were never challenged by the allies to discuss it in any detail."

Now, after 40 years, the six historians on the commission have painstakingly compiled a report which revives the repressed past and recalls the lapses of memory. But it seems Mr Waldheim is not prepared to confront the moral and historical conclusions of the report.

What was even more revealing about the President was his calm announcement that: "We all knew about these things anyway." After months of saying he could not remember, or that he did not know what was happening in the Balkans between 1942 and 1945, he made a memory leap by saying he knew all along, as if to say he could not understand what all the fuss was about anyway.

The Austrian media did not seem to notice the sudden revival of memory. Die Presse, a leading Austrian daily, ran the headline: "Waldheim was no war criminal but he knew" and "President: no grounds for resignation."

Except for coverage in a few liberal journals and newspapers, such as Profil, Arbeiter Zeitung, Kleine Zeitung and Salzbürger Nachrichten, the real issue behind the "Waldheim affair" has never been discussed.

The popular press has never asked the question why the historian's commission was set up in the first place.

The commission's mandate was to establish the truth about Mr Waldheim's war record "as accurately and as humanly possible". In the words of Professor Gerald Fleming, the British member of the commission, the report clearly showed that Mr Waldheim did not tell the truth about his activities during the war. The conservative popular press has so far failed to address the fact that Mr Waldheim lied about his past.

What continues to astonish many foreign observers is that many Austrians are prepared to defend Mr Waldheim because, in their eyes, when he joined the German Wehrmacht in 1938 he was "only doing his duty" like many other Austrians. The report showed, however, that Mr Waldheim made an effort to join the Nazi student movement in Vienna. One Austrian who "did his duty" privately challenges Mr Waldheim.

"Yes, I did my duty. But after the war I chose not to go into public life because I would have had to take responsibility for what I did. Mr Waldheim went into public life and now represents the highest office here. He must take responsibility for what he knew. But I think that that would mean cracking the wall of consensus politics which has ruled this country since 1945. Nobody is prepared to take on that thankless task."

What is of long-term significance about the commission's findings is whether or not Austria will choose to continue with the old politics of consensus, a policy which has effectively stifled any serious public discussion about its past and its identity. Moreover, the politics of consensus has stifled the ability of its civil institutions, including the judiciary, the legal profession and the educational establishment, to defend themselves against political interference and ultimately inhibited the maturity of a democracy.

For many Austrian intellectuals, the Waldheim affair represents a choice for the Austrian soul: "Do we have the courage to test our democracy and our civil society or do we ignore the report and live with consensus and lack of responsibility because it is comfortable?" a banker asked.

"It also raises the question of whether we have the courage not only to examine our involvement in the war, but more importantly, to ask why a deep corruption of the truth pervades this society," the banker added in a deep tone of sadness.

Perhaps it is this weakness of civil society and public morality in Austria which accounts for the strong, emotional defence of Mr Waldheim. However it is precisely that weakness which is likely permanently to damage Mr Vranitzky's Socialist-led coalition government.

When Mr Vranitzky became Chancellor last year, he vowed to make Austria a modern state, make it more westward looking and make it more open to ideas.

One of the main things he wanted to do in the short term was to give Austrian intellectuals space to think and criticise. For too long the small coterie of intellectuals were marginalised (many left the country) because the Austrian public morality was either too corrupt or too weak to confront its past.

To give the intellectuals such space, it meant accepting the consequences. "We cannot write and speak openly and honestly if we cannot confront the past," an Austrian journalist commented. "For too long we have been dogged by a politics of consensus which never wanted conflict and resisted any kind of confrontation. Democracy needs conflict to grow."

Admittedly, the Austrian middle class, in which the Jewish community was extremely important, was decimated by the Nazi occupation. Subsequently the long and successful public career of Chancellor Bruno Kreisky, a socialist and of Jewish origin, provided the country with an international perspective which Austria's size and neutral status might not otherwise have given it.

In recent years, some intellectuals – tired of patronage and widespread institutional and bureaucratic corruption and of having to join a political party to further their careers – have pinned their hopes on Mr Vranitzky.

Alas, Mr Vranitzky is up against the wall, as a journalist put it.

For the sake of keeping together a coalition which is deeply divided on the Waldheim affair, the chance of coming to terms with the past could be lost.

The conservative People's Party, the junior partner of the coalition which has doggedly backed Mr Waldheim, seems reluctant to consider the wider implications of the commission's damning report. Sections within the Socialist camp want Mr Waldheim to resign even if it means the collapse of the coalition. They fear the long term consequences of living with a President who has lied.

Mr Vranitzky said yesterday that it is up to Mr Waldheim to make up his own mind about his future. Some Austrians suggest that the time has come for Mr Vranitzky to say what he personally thinks.

"I have to bear the responsibility. This situation must not lead to the disruption of our institutions in our country," he said. If Mr Vranitzky actually said what many in his party want to hear, those very institutions to which he refers could be greatly strengthened in the long term.

Regional policy

Closing Britain's economic divide

By John McEnery

BRITAIN'S regional problem stems from the distribution of jobs in service industry, not manufacturing. In the whole country, 67 per cent of employees are in services. For the south-east the figure is nearly 75 per cent. There is a similar lack of balance in the self-employed. It would take the transfer of a million service jobs north and west to spread employment evenly.

The preponderance of the south-east in service employment has existed since at least 1965. Yet, until 1985, successive governments perversely sought to correct national imbalance by subsidising new manufacturing plant in the assisted areas. Inevitably they failed as they were addressing the wrong problem. Moreover during that time, as in all advanced societies, employment in manufacturing processes was falling while that in services was soaring. By 1984, Britain's economic divide was worse and regional policy discredited.

Only in late 1984 did Conservative ministers find the courage to blow the whistle. Capital-intensive Regional Development Grants (RDG) for manufacturing plant were phased out and the importance of service jobs for the assisted areas was at last recognised. This was, however, more the abandonment of sin rather than the dawn of new virtue. Some limited steps, it is true, were taken to promote regional service employment. These included the novelty of RDG for autonomous (ie, mobile) service operations; a long-overdue boost to tourist facilities; and an increased emphasis on small firms. But the new policy treated only the symptoms and the result was minimal.

In the White Paper of January 11 the Department of Trade and Industry has now abandoned RDG totally and completed the swing from automatic to selective assistance. This is further progress, but still leaves a hole in the heart of the policy.

The cancer debilitating the rest of the country is the concentration of company headquarters in the London area, whether in manufacturing or service industry. It is these headquarters, themselves autonomous services, that in turn spawn the vast range of ancillary services in the south-east and cause the national imbalance in service employment (and in house prices). There was evidence in 1984 that Conservative ministers knew this. According to inspired press reports, they appreciated the need both to resist the concentration of management in London and to back the independence of successful regional companies because of their outstanding local importance.

Sadly the government did nothing to implement this appreciation. Instead the new 1985 guidelines on merger policy made reduction in competition the sole criterion for referral to the Monopolies and Mergers Commission: the regional dimension was ignored. This flew in the face of the Commission's blockage, on regional grounds, of the proposed takeover of the Royal Bank of Scotland in January 1982. It was also contrary to the spirit of the Fair Trading Act, 1973 which enjoins the Commission, in evaluating the public interest, to have regard to the desirability "of maintaining and promoting the balanced distribution of industry and employment in the United Kingdom."

The Royal Bank case led to criticism of "a ring fence around Scotland". In reality the issue concerned the whole of Britain outside the south-east. One of the greatest economic assets of the north-west, for example, is the headquarters of Pilkington in St Helens. When that company was under siege by the London-based conglomerate, BTR, in January 1987, the responsible minister washed his hands of the matter. BTR's ultimate withdrawal had nothing to do with him.

The Government is now developing a policy for the inner cities alongside its regional policy. The problems in both fields largely overlap. There clearly has to be consistency between the two policies. Local industrialists are a vital factor in salvaging deprived environments. Two companies actively tackling inner city problems in northern England are Northern Foods of Hull and, ironically, Pilkington. Yet, under present policy, these responsible and efficient companies could be gobbled up. The fate of the Glasgow-based Britoil raises comparable issues.

Thus the Government has simply not got its act together on the interlinked problems of inner cities and the regions. It apparently believes that the only option on mergers is to choose between market forces (with the touchstone of maintaining competition) and a ring-fence not just around Scotland but each English and Welsh assisted area as well.

On the contrary, a merger policy can be defined which respects market forces if they operate in a socially responsible way. The test of public interest should incorporate the question of whether the merger will reduce both the quality of decision-taking and the amount of service employment in the assisted areas taken as a whole. This would have the following effects.

- It would protect independent regional companies from metropolitan predators with short-term interests.
- It would not however protect them from takeover by other companies in the assisted areas; thus, no ring fence around inefficient companies.
- Nor would it protect them from London-based companies provided the latter were willing to move important headquarters functions into the assisted areas.
- Finally it would be the strongest incentive for companies based in the south-east which feared takeover to relocate their headquarters in the assisted areas.

The government must now complement its new regional policy with a merger policy on these lines. Unless it does so, both its regional and its inner-city initiatives will fail.

The author is a former Under Secretary in the Department of Trade and Industry and author of Manufacturing Two Nations (Institute of Economic Affairs).

Letters to the Editor

Privatising electricity

From Mr Ian Roberts.

Sir, Max Wilkinson's article (February 3) once again highlights a serious flaw in government policy on the Electricity Supply Industry (ESI). When it is pointed out that a private ESI and an expanding nuclear sector are fundamentally inconsistent goals, the official response seems to be to ignore the contradiction.

Suggestions have been made that the Government might hive off nuclear power into a separate state sector, or bribe the Central Electricity Generating Board (CEGB) to take it on in return for more market power. The reasoning behind such suggestions must logically be that economic conditions under public sponsorship would be different from those prevailing in a private environment.

Essentially, these differences are that the risk premium which independent generators would put on the price of capital would be suppressed by the political goals of the Government. Outside the risk element, it is unlikely that nuclear power stations would make the 10 per cent return on capital that truly commercial investors would require, whereas at a 5 per cent level, the Sizewell pressurised water reactor was, according to the Layfield inquiry, a more economic option that an equivalent coal power station.

This implies that nuclear investment under government sponsorship would be competing unfairly with the private sector, either under subsidised interest rates in a state sector, or cross subsidised by a market dominant CEGB.

Such unfair competition does not sit well with the Government's free market philosophy. It is in stark contradiction to Government belief that the private sector is the most efficient resource allocator, and it raises questions as to why the ESI is being privatised at all if the Government is to second-guess and then subvert its eventual outcome.

Moreover, public confidence in nuclear power is likely to suffer if the government is forced to adopt a technology rejected by a private culture: so much time and effort has been spent on promoting the benefits of privatisation that the government may have difficulty in persuading public opinion that, in this case, the private sector is wrong. And if the private investor will not put his money in nuclear power — why should the taxpayer?

The argument for a diverse power base, and a spread of technology on security of supply grounds, is unlikely to be convincing in the face of an independent sector bristling with ideas such as combined heat and power, coal gasification, tidal barrages, combined cycle gas turbines, windmills; as well as more traditional coal and oil fired powered stations.

In fact, independent generators argue that a number of centres of initiative, encouraged by a strong demand, is likely to develop a greater range of innovative solutions than a narrow focus on nuclear.

Ian Roberts,
4 Purbeck Avenue,
Shepshed,
Loughborough, Leicestershire.

From Mr Harry Hornsby.

Sir, An important concern about the Government's reported plans to break up the Central Electricity Generating Board is the effect of this on security of electricity supply for UK consumers.

The proposal to divide the generating sector into two parts will inevitably distract management from the key task of ensuring that the nation's overall power supply is adequate to meet future demand. So much concentration will be devoted to the establishment and structure of the two new entities, and to devising a package for their presentation to the market, that the existing programme for new investment would become a secondary, even inconvenient, consideration, and be deferred or delayed.

Apart from the long overdue Sizewell B, no new power stations have been ordered for eight years. It is vital that construction should proceed speedily on those stations scheduled for operation in the 1990s, in order to meet the demand forecast by then. Failure to do so would damage the industry, its consumers and suppliers, and result in power cuts.

Competition can at the same time be introduced by encouraging the creation of new, privately owned generating utilities, which would have access to the transmission system in the same way as the major generating company.

Security of economic supply is the prime concern of industrial and private consumers. No re-structuring of the electricity supply industry, for whatever reason, should be allowed to endanger this.

Harry Hornsby,
Council of Mechanical and Metal Trade Associations,
Artillery House,
Artillery Row, SW1

Inward investment calls for EC debate

From Mr James Moorhouse MEP.

Sir, I feel that Mr David Sawers (Letters, February 1) misinterprets Mr Burton's article advocating European Commission interest in inward investment by Far Eastern manufacturers (FT, January 27).

Europe has always welcomed genuine investors, but the motives of the new wave, as represented by the record to date, lead to misgivings. The argument is not about the availability of electronic engineers, but an intention to relegate Europe to a branch location.

Mr Burton's article is useful in opening a debate towards achieving a consensus on sensible measures to be taken. The agenda might include the following:

Is there a lack of sufficient competitive capacity in the Community already? Cannot existing capabilities be expanded to supply demand?

Will new investment cause displacement of existing facilities, either now or in the future? It is important that companies should not be encouraged into the EC to – at worst – destroy existing capacity or – at best – dilute the volume throughput per plant.

What sort of new investment will create jobs, and on a long term basis?

Is the investment balanced between research, development and production?

Will the investment improve the Community balance of payments by way of exports? (Import substitution is not enough).

Is there adequate provision for the spread of knowledge of new technology?

Equipment investments should not be seen as a back-door entry to components – and *vice versa*. Nor should projects for one type of component or equipment necessarily lead to others.

How far is the objective of the investment genuinely to create a viable manufacturing capability, rather than establish a bridgehead in the European market? (Companies should not be encouraged to set up operations to act as a "front" for imports.)

To what degree is the new investor committed to maintain the activity over a number of years? (It is necessary to ensure a long term commitment to bring long term added value to Europe.)

These matters are so crucial to the wellbeing of Europe that they should not be left entirely to the dispersed regional development agencies throughout the member countries.

John Moorhouse,
14 Buckingham Palace Road,
SW1

Market guidance is preferable to anarchy

From Mr William Wallace.

Sir, It is terribly easy for ideological free traders to trot out the familiar phrase that government intervention in international markets means "bureaucrats being left by ministers to play God." Hugh Corbet repeats it yet again (Letters, January 29.)

The 18th century free trade economists had, of course, an "invisible hand" view of the market. The markets *were* the way in which the divine will – or the force of reason, depending on your theology – operated to shape human actions.

Few 20th century thinkers outside the ranks of orthodox economists share such a mechanistic view of the world or of its underlying rationality. Nor is it clear that international markets in, say, aero-engines or automobiles are as open and decentralised as the classical model assumes. Entry costs are high; government support can be crucial at the margin; specialised markets leave room for only a limited number of successful companies.

Taken to its logical conclusion, Mr Corbet's argument is a call for anarchy. If "bureaucrats ... have helped not only to screw up the GATT system but also, and more importantly, to screw up the economies" they were attempting to promote, we should move as rapidly as possible to close down the Department of Trade and Industry (DTI) and the Department of Employment, and most of the rest of Whitehall as well. After all, there is no reason why the inherent inefficiency of government should be any less marked in the administration of defence, or of justice, than in its attempts to police the markets.

In real life the DTI finds itself dealing with the Kuwaiti Investment Office (a government agency not noted for its inherent inefficiency), bargaining with governments for access to the financial markets of Tokyo and the domestic economies of Taiwan and South Korea, where active policies of governmental guidance do not seem to have led to disastrous results.

I look forward to Lord Young continuing to define and refine the DTI's continuing role. And I look forward to Hugh Corbet and the whole company of orthodox economists providing a convincing explanation of why bureaucrats in East Asia apparently have a different impact on their economies from bureaucrats here.

William Wallace,
49 St James's Drive,
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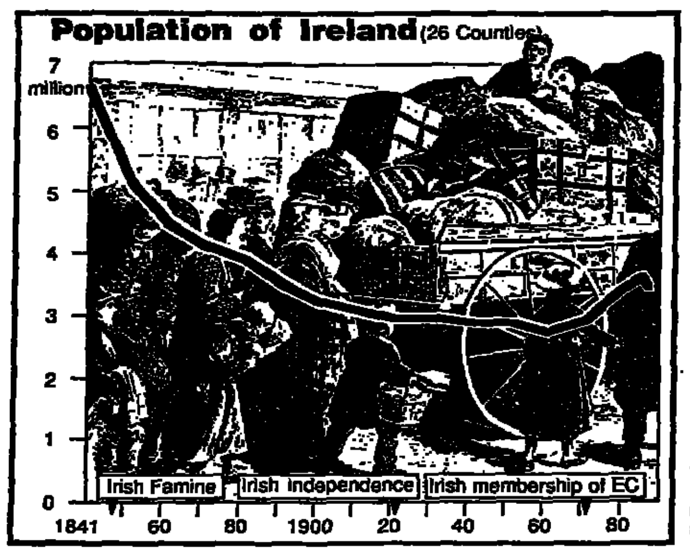
FINANCIAL TIMES

Wednesday February 10 1988

The exodus of skilled labour is becoming a serious concern, reports **Kieran Cooke**

Ireland bemoans its lost youth



THE IRISH are on the move again. Emigration, always an emotive indication of Ireland's economic health, is rising, with well over 30,000 expected to go abroad in search of jobs this year. Similar numbers have left in each of the past two years.

What worries people in the Republic is that the overwhelming majority of those taking the ticket to the US, the UK and the Continent are the cream of Ireland's educational system, the 20 to 24-year-olds who see little hope for employment in the harsh economic climate at home. Parents shake their heads and talk of the country losing its future.

A big expansion in the number of technical graduates was planned in the heady days of an Irish economic boom in the late 1970s. "Hire them before they hire you" is the caption below a picture of a group of cheery graduates on a government poster urging foreign companies to set up in Ireland.

The Republic has indeed been successful in attracting new investment. But many foreign companies are now merely shipping the Irish overseas. Philips, the Dutch electronics company, has flown whole engineering classes of final-year students to the Netherlands for interviews.

Irish computer and electronics specialists have moved in increasing numbers to the south-east of England. Faced with severe cutbacks in the health service at home, many nurses and doctors are taking advantage of the lucrative terms offered by headhunters from US medical agencies.

The "illegal" or "undocumented" Irish in the US have become a political issue in the Republic. Parents and migrants' organisations have urged the Government of Prime Minister MrCharles Haughey to take issue with Washington about the exploitation of young Irish illegal immigrants. Mr Haughey has said he was "very deeply concerned" about the problem.

A leading member of the Irish lobby in Congress, Mr Brian Donnelly, has been in Dublin recently explaining a bill co-sponsored by Senator Edward Kennedy which would make available an estimated 10,000 extra visas for Irish people going to work in the US. But Congressman Donnelly ruled out any amnesty for those Irish already working illegally in the US.

Mr Frank Fahey, Irish Minister of State for Education, back from an investigation of the problem, said it would be "highly undesirable" for more Irish to go the US.

Irish emigration is nothing new. Its sadnesses are commemorated in a hundred Irish songs. In the 1840s, Ireland's population was 8m. Now, the total for the whole island is barely 5m. This is despite a birth rate, which while falling considerably in the past 15 years, is still the highest in Europe.

The first massive wave of Irish emigration, mostly to the US, took place in the years immediately following the potato famine of 1847. Emigration continued until the 1960s. In the economic boom times of the 1970s, the population actually increased, for the first time in more than a century, by half a million. This was mainly because of immigrants and their families returning. But the outflow has accelerated again over the past six years.

"The whole pattern of Irish emigration has changed in the past few years," says Professor Jerry Sexton, an expert on population and emigration at Dublin's Economic and Social Research Institute. "In the old days it was almost automatic that some members of a family would be forced to emigrate when they finished primary education. Most of them would of course be unskilled and from the poorer western areas of the country."

Now it is the skilled, urban dwellers who are leaving. For the first time in many years, the population of the Dublin area is falling. The loss to the Irish exchequer of this skilled pool is estimated by some to be running at nearly I£90m ($57m) a year. Furthermore, unlike the old-style emigrants, few now send remittances to families back home.

Professor Sexton feels there is a danger of emigration becoming something of a cult – with graduates going overseas immediately rather than trying to look for work at home. Some have called for a restructuring of the education system to cope with new and tougher economic times. Others feel that emigration is a necessary safety valve. Unemployment in the Republic is nearly 20 per cent and the country simply cannot absorb all its graduates.

However, it is a very emotional issue: a government minister who talked recently of Ireland being too small to accomodate all its population was quickly silenced by his colleagues. Only a better economic climate can stop the flow and that, most feel, is some time away.

Waldheim report splits Austrian cabinet

BY JUDY DEMPSEY IN VIENNA

THE AUSTRIAN Government was thrown into bitter disagreement yesterday after the international commission of historians presented its report which effectively concluded that Mr Kurt Waldheim, the Austrian president, had lied abut his wartime activities.

The 200-page report which was handed on Monday night to Mr Franz Vranitzky, the chancellor of the socialist-led coalition government, found that Mr Waldheim had known far more that he had originally claimed about the deportation of Yugoslav partisans to the concentration camps as well as the deportation of Greek Jews to the camps during the war.

The Government however is now sharply divided on how it should respond to the report and whether or not Mr Waldheim should resign.

Mr Vranitzky said that the question of moral guilt could be answered only by the president himself. Mr Vranitzky, who is trying to prevent the collapse of the coalition, said yesterday at a news conference "the consequences such as stepping down from an office or not in the present situation have to be taken by the person who is concerned". The chancellor had just ended a stormy cabinet meeting which discussed the historians' report.

The Conservative People's Party (OEVP) which has steadfastly supported Mr Waldheim, sharply criticised the report during the meeting.

The OEVP threatened to withdraw from the coalition if all references in the report which stated that Mr Waldheim had withheld knowledge about his past, were not completely omitted.

The commission of historians insisted earlier that the report should not be changed or altered in any way.

Chaos erupted in the cabinet. It was finally agreed that the report would not be altered but that mention would not be made of Mr Waldheim's lying.

Historians' report, Page 2

Turkish group heads Bosporus bidders

BY JIM BODGENER IN ANKARA AND ANDREW TAYLOR IN LONDON

A TURKISH company has put in a bid almost $78m below that of Trafalgar House, the UK construction to shipping group, in the battle for the contract to build a third bridge across the Bosporus in Istanbul.

Sezai Turkes-Feyzi Akkaya (ST-FA) bid $171m for the work and Mr Bedrettin Dalan, mayor of Istanbul, said the decision on the contractor to build and operate the bridge under a concession from the municipal authority would be announced within 15 days.

Mr Dalan indicated that ST-FA appeared to be ahead at this stage, but the outcome is likely to depend upon which bid wins some form of support from the Japanese builders of the second Bosporus bridge.

Hopes in the UK of winning the deal remained buoyant last night. Trafalgar House is in partnership with Enka, another Turkish company. Other bidders for the contract include Eska, a Turkish company in partnership with an Italian group, which bid $258m, and Ballast Nedam, a Dutch group recently acquired by British Aerospace, which bid $441m.

Some British officials suggested last night that Trafalgar House might already have reached agreement with C.Itoh and Ishikawajima-Harima Heavy Industries (IHI) that the two Japanese companies would not try to block a British bid by joining a rival consortium. The Japanese may also assist in financing arrangements.

The fact that IHI failed to make a bid itself does not rule out the possibility that it still hopes to gain an amount of subcontract work on the third bridge project.

Trafalgar House was beaten by IHI in 1985 for the contract for the second Bosporus Bridge. The Japanese funding which accompanied the winning bid three years ago led to allegations of unfair pricing.

Trafalgar House said last night that it remained optimistic about its chances to win the latest contract. It said the difference between the two lowest bids would be reduced to about $16m when British Government support for the project worth $61m was taken into account.

Under the terms of both bids, the contractors would operate the bridge and charge tolls for 12 years before returning it to the municipality.

The Japanese companies have been discussing funding with the Export Import Bank of Japan, which was charged last year with recycling some of the country's large trade surplus.

Hopes rise for Soviet withdrawal from Afghanistan

Continued from Page 1

the form of any interim transitional government to take over in Kabul when the Soviets withdraw. It is also unclear who will sign the final Geneva peace agreement because Pakistan refuses to recognise Afghanistan's present regime.

Mr Cordovez said yesterday no formal link was being made between the interim government issue and the Geneva talks. But Mr Noorani and Pakistani diplomats indicated that they hoped Mr Cordovez would mediate informally on the make-up of an interim goverment.

William Dullforce in Geneva writes: During a stopover in Geneva on his way back to New York, Mr Cordovez refused to predict whether the talks starting in Geneva on March 2 between Pakistan and Afghanistan would be the final round in the peace-making process.

Two important points had still to be worked out. These were final agreements on the period allowed for the withdrawal of Soviet troops from Afghanistan and on the "frontloading" of the withdrawal.

Mr Cordovez referred to Mr Gorbachev's statement on Monday that the Soviet drawback would be completed in 10 months but implied that final agreement on the time limit had still to come.

The "frontloading" concept – under which the bulk of the Soviet forces would depart in the first months – had been accepted, Mr Cordovez said, but it would have to be "discussed and specified" in Geneva.

Both the Pakistan and Afghan governments had agreed to the UN monitoring implementation of the peace accord but the technical aspects would have to be decided in Geneva in March.

Triumphant Dole casts himself in role of underdog

Continued from Page 1

burns off I do not think he is going to be much of a contender."

Mr Dole said he was surprised by Mr Robertson's showing, but he said he doubted the former television evangelist could duplicate it in a state primary.

"In caucus states he can be a real threat," said the senator. "I think in primaries, it's not that great."

Mr Bush, who had left Iowa on Monday to begin campaigning in New Hampshire even before the caucuses began, told factory workers in Nashua that "a new day" had begun, and that he expected to do better in the New Hampshire primary and win the Republican Party's Presidential nomination.

Recent polls in New Hampshire have shown Mr Bush holding a comfortable 38 - 23 per cent lead over Senator Dole in New Hampshire.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	16	61	Dubrovnik	R	11	52	Malta	S	16	61	Rhodes	C	16	61
Algiers	F	18	64	Edinburgh	R	3	37	Manchester	C	6	43	Rio de Jo	C	29	84
Amsterdam	S	9	48	Faro	C	15	59	Manila	S	33	91	Rome	S	14	57
Athens	F	15	59	Florence	-	-	-	Melbourne	S	21	70	Salzburg	C	3	37
Bahrain	R	23	73	Frankfurt	R	3	37	Mexico City	C	25	77	San Francisco	F	7	45
Bangkok	S	33	91	Funchal	R	14	57	Miami	C	15	59	Seoul	S	-1	30
Barcelona	S	17	63	Geneva	C	7	45	Milan	S	10	50	Singapore	F	31	88

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

GM profits recover

Continued from Page 1

compared with 44 per cent in the early 1980s. The overseas businesses, by contrast, reported total net profits of $1.9bn, against a loss of $600m in 1986.

In addition to the $1.26bn profit in Europe, there was also a turnaround in Latin America, which earned $446m, and the Asia-Pacific area, where GM made $176m. In 1986, GM lost $343m in Europe, made a marginal profit of $33m in Latin America and lost $257m in all other areas. The Latin American results reflected substantial exports from GM's Mexican operations to the US market.

Mr Roger Smith, the company's chairman, attributed the dramatically improved overseas results to the "successful introduction of new products, including the Opel Omega, and the significant progress we made in restructuring our overseas operations." GM officials are clearly now hoping that the company can duplicate its European success in the much more important US market. Ford, GM's closest rival around the world, also managed to turn around its overseas businesses as a prelude to a hugely profitable revival in its home market.

Agenda hitch for Franco German council

By David Marsh in Bonn

THE first meeting of the joint Franco-German economic council set up by Paris and Bonn last month is likely to take place in March.

However, the two governments have found it difficult to agree on the date – proof, according to officials in Bonn, of the problems of fitting another set of international policy meetings into the already crowded agendas of ministers and central bank governors.

The joint economic council, intended to provide a forum for France and West Germany to improve co-ordination of economic policy, was established as part of last month's ceremony in Paris celebrating the 25th anniversary of the Elysée Treaty between the countries. This also set up a joint defence council to harmonise military policies.

West German officials have reacted sceptically to the creation of the economic council. It is seen above all as part of a political bid by the French government to pressurise the West Germans into more expansionary financial and monetary policies which would ease periodic strains encountered by the French franc.

Above all, both the Finance Ministry and the Bundesbank are trying to resist French attempts to use the council as a forum to press for further changes in the intervention rules in the European Monetary System.

Development of the EMS is seen in Paris as an essential step towards the eventual establishment of a fully fledged European central bank. The idea is viewed in Bonn as well as at the Bundesbank in Frankfurt as a long-term goal rather than as a practical proposition for the medium term.

The first meeting of the economic council has been provisionally set for March 25 or 26 in Bonn, although no firm date has been arranged. An earlier date for the meeting on March 19 had to be changed because Mr Martin Bangemann, the West German Economics Minister, could not attend.

The council is to meet four times a year, bringing together the finance and economy ministers and the central bank governors from the two countries. Although this is a retreat from an earlier French suggestion that it should convene six times annually, the timetable throws up considerable practical difficulties because of busy ministerial schedules.

Furthermore, each meeting will have to be preceded by a preparatory session of already over-worked top officials. "It is only possible at weekends," said one.

The problems over fixing dates are particularly acute because it is intended that both Mr Gerhard Stoltenberg, the West German Finance Minister, and Mr Bangemann are intended to take part in the meetings. Mr Edouard Balladur, the French Finance Minister, also holds the economy portfolio.

West German officials point out that a bilateral Franco-German economic policy co-ordinating committee has already been meeting at six-monthly intervals for several years. This committee, linking state secretaries at the Bonn economics and finance ministries, the director of the French Treasury and the deputy governors of the Bundesbank and Banque de France, was set up by former Chancellor Helmut Schmidt and former President Valéry Giscard d'Estaing.

The two governments now face having to wind up this group as its work would duplicate that of the higher level economic council.

French tactics in setting up the economic council have ruffled feelings in both Bonn and Frankfurt. This was because the French government informed Bonn very late of its intention that the council should be established under a statutorily binding treaty requiring ratification by both parliaments.

Ford unions seek unity

Continued from Page 1

The company said it would try to maintain production at other plants using engines made in Cologne, West Germany, and Valencia, Spain, to make up for the loss of engines normally supplied from Bridgend and Dagenham in the UK.

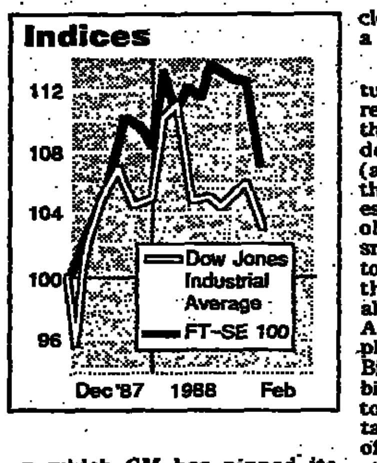
However, this could limit the mix of models the company could produce. In addition, some Continental plants rely on other UK supplied components such as camshafts and radiators.

Executives from Ford's Detroit headquarters in the US are due in London on March 17 for talks with the Trades Union Congress.

THE LEX COLUMN

Sterling's turn to suffer

When Mr Lawson said in Brussels yesterday that there was no immediate pressure for a rise in UK interest rates, it was explicitly with reference to the level of sterling. It was the less reassuring that yesterday's close of 73.9 for trade-weighted sterling was the lowest since immediately after the October crash. Since there was no sign yesterday of intervention, it may be assumed that the official attitude is still relaxed. But whereas the UK investment community may still draw a clear distinction between the nature of industrial unrest now and a decade ago, there is always therisk that the distinction may be too subtle for investors overseas.



In the short run, the outcome for interest rates still looks touch and go. The market's current belief is that sterling could lose a couple of pfennigs from last night's close of D-Mark 2.97 before the authorities are forced to act. In the meantime, there are the US trade figures to be awaited on Friday. These might set off the widely expected reversal in the dollar, which at yesterday's $1.7465 is at a three month high against sterling – though it is less clear how much a weaker dollar would help sterling against the D-Mark.

Even supposing the expected base rate rise does come, though, it is open to question how much equities should be concerned. A rise followed by a post-Budget cut would be a time-honoured pattern; and in any case, if the economy is overheating and the currency weak, what have equities to lose?

General Motors

If what is good for GM is good for America, then white collar America stands to lose a huge number of jobs and learn a little bit of humility. Cutting 36,000 salaried jobs has been a major factor in helping GM turn the corner on production costs; meanwhile the chastened four-fifths of the white collar workforce which is left is learning the less arrogant approach to making and selling cars which befits a fallen idol.

Yesterday's fourth quarter results will have provided no grounds for complacency. For although GM's operations in Europe seem to have been transformed by a combination of new models and restructuring, America continues to resist. Domestic market share has taken a further dip to around 35 per cent, down from the mid-40s in the recent past, and the new mid-sized marques on which GM has pinned its hopes may do little more than arrest the fall. Granted, over half of the 1m-odd decline in GM sales between 1985 and 1987 came in the mid-size range, so revival here is crucial. But it is not the only problem area: compact cars, too, have suffered from GM's poor consumer image.

The company could hardly have chosen a worse moment for a fight: the fruits of Japanese settlement on American soil are about to become a major market force. And quite apart from the so-called "transplants" from Japan, imports from Tokyo are continuing to defy the logic of the high yen. And a price war with the Japanese – in both their domestic and external manifestations – can scarcely be what is good for GM.

Birmid Qualcast

The opposition by some large investors to Blue Circle's bid for Birmid Qualcast suggests that even in a weak market a generous offer of cash may not win the day. In deciding which side to back, the more responsible UK financial institutions find price finely pitted against principle. On one hand, 380p appears more than respectable; and even Birmid's advisers' brave footwork with the numbers – according to which the premium to the sector is nearer 20 than 60 per cent – does not quite succeed in making the offer look stingy. On the other, Birmid has given its shareholders far more cause for satisfaction than complaint over the last five years in building the only major consumer products group on the market. With no clear sign that the company would perform better under Blue Circle's direction, it would be a pity if Birmid lost its independence just because Blue Circle wishes to diversify and has a fat wallet.

While institutions must eventually justify their decisions by reference to investment return, they may be entitled to turn down offers that are full (although perhaps not those that are excessive) in the interests of broader and longer-term objectives. However, for the small shareholder price is likely to be the end of it, and hence the 41 per cent of shares already claimed by Blue Circle. Although M&G has already pledged its 17 per cent stake to Birmid, and some of the other big holders are almost certain to follow suit, it would still take an extraordinary triumph of principle on the part of the others for Birmid to escape.

Westinghouse/ Babcock

Westinghouse Electric's interest in purchasing FKI Babcock's power generation equipment business adds a new dimension to the behind-the-scenes manoeuvring that is now under way in the UK power station building industry. Babcock's Renfrew facility is one of the most modern power station equipment plants in the world, but has become something of a white elephant because of the dearth of power station orders over the last decade.

On paper Renfrew's longer-term prospects look bright. The UK has to replace several of its older, coal-fired power stations and if the CEGB begins placing its orders shortly, Babcock is well placed to win more than its fair share. However, the orders have been slow to materialise and the planned privatisation of the UK electricity industry could disturb the cosy way in which GEC, NEI and Babcock divide up the orders. At some stage the Renfrew facility should be a moneyspinner for its owners, but FKI Babcock has to decide whether it is worth hanging on in the hope that Renfrew will eventually live up to its promise.

The natural buyer is GEC, but it does not seem willing to pay a full price, and NEI would find it difficult to digest a takeover of this size. This leaves open the possibility of a foreign purchaser emerging. Westinghouse, with its strong nuclear power connections, is an obvious contender. However, its interest could precipitate a rethink by GEC, if not by the UK Government which might be concerned about ownership of such a large part of its power plant industry disapearing into overseas hands.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday February 10 1988

American Standard spurns B&D

BY RODERICK ORAM IN NEW YORK

AMERICAN Standard, the US building products group, has rejected as inadequate the $65 a share takeover offer from Black and Decker, the international power tools manufacturer.

The company also adopted a shareholders' rights plan in an effort to block Black and Decker, or any other bidder, from launching a takeover while American Standard studied alternatives.

These could involve a recapitalisation, restructuring, leveraged buyout or the sale of some assets.

Goldman Sachs, American Standard's financial adviser, has been approached by several other companies expressing interest in bidding for it, American Standard said.

However, it declined to say if it was in negotiations with any of these companies.

American Standard shares rose $½ to $67⅞ yesterday on hopes of a higher offer.

Mr William Boyd, American Standard's chairman, said the board was "exploring all reasonable financial alternatives to Black and Decker's offer which might result in enhanced values for shareholders."

Under the terms of the temporary rights plan, shareholders would be eligible to buy five American Standard shares at $32.50 each if any outside party acquired a holding in the company of more than 15 per cent.

If insufficient common shares are available for the plan, American Standard will issue preferred shares with roughly equivalent voting and economic power.

The plan expires on March 16, but the board will be able to extend it periodically up to June 30.

Varity may make extra reserve

By David Owen in Toronto

VARITY, THE Toronto-based farm equipment and industrial engine maker, is considering the need to set aside an extraordinary reserve relating to problems at Massey Combines, an associate company, which expects to default on debt agreements at the end of the month.

Varity, previously known as Massey-Ferguson, holds a 45 per cent stake in the Brantford-based combine harvester manufacturer.

If the charge is taken, it is likely to force the company into loss for the year ended January 31.

In the nine months to end-October, Varity wrote down its investment in Massey Combines by US$17.3m, leaving a balance of $14.8m still to be written off.

The company said the final amount of the reserve, which has yet to be determined, could also be affected by "previous efforts to support the combines business and by certain contractual commitments."

Massey Combines' problems have stemmed principally from a chronic reduction in demand for its products.

According to Varity, combine harvester sales fell from about 34,000 machines in 1981 to 9,000 last year.

Schlumberger returns to profit

BY OUR NEW YORK STAFF

SCHLUMBERGER, the US oilfield services and industrial group, has sprung back to profits, thanks to a pick-up in oilrig use and the fruits of a costly restructuring.

Net profits for the year ended December were $352.6m or $1.27 a share, against a loss of $2.02bn or $7.02 in 1986. Revenues slipped to $4.73bn from $4.94bn.

The latest profits included special gains of $361m, or $1.30 a share, for tax and other reasons, and losses of $220m, or 79 cents, from discontinued operations. The year-earlier loss included $2.1bn, or $7.31 a share, of charges for restructuring and losses from a discontinued operation.

In the fourth quarter, Schlumberger had net income of $315.8m or $1.15 a share, including a $222m tax gain, against a loss of $2.18bn or $7.71, including $2.05bn, or $7.26 a share, of restructuring charges and losses on discontinued operations. Revenues rose to $1.3bn from $1.1bn.

Mr Euan Baird, chairman, said that restructuring, costing nearly $2bn of write-offs and other charges in 1986, had scaled down the company to "a level commensurate with oilfield activity," which had plunged drastically in the mid-1980s.

In the second half of last year, however, the number of active drilling rigs increased sharply, as Schlumberger's customers "became more optimistic about the price of oil."

Except for Sedco Forex, where a large surplus of rigs depressed leasing rates, "prices of our oilfield services continued to improve," Mr Baird said.

Schlumberger Industries, a utility meter and electronic group, showed further profit gains, while results at Schlumberger Technologies, a computer-aided design, automatic test and graphics group, improved slowly.

Caterpillar looks to diversify

BY NICK GARNETT IN LONDON

CATERPILLAR, the US construction machinery manufacturer, is studying ways of diversifying into businesses other than machinery building.

Senior executives have met chief executive officers of eight US-based multinationals during the past six months to discuss their experiences of diversification.

These include American Express, Digital Equipment and Hewlett Packard. Caterpillar, the world's largest maker of earthmoving equipment, last year posted pre-tax profits of $350m on sales of $8.18bn.

Mr George Schaefer, chairman, said the company had been doing well in the past year but the world market for construction machinery was growing at only about 2 per cent annually. Caterpillar needed to expand into markets with better growth prospects.

However, the experience of other companies had shown it was dangerous to diversify into areas which had no connection with a company's existing core business.

By the end of the century, the manufacture of earthmoving machinery would still probably account for the most sales.

"We are attempting to define what our corporate strategy should be in the next 10 to 15 years. Basically we will still be a machinery and engine company but with tentacles going out all over the place."

Mr Schaefer pinpointed a number of possibilities the company had been looking at, such as buying small electronics companies whose products have some relevance to construction machinery.

Caterpillar has also been looking at whether it could profitably move into earthmoving contracting. It had not considered becoming a road builder, because that was recognised as a specialised activity.

US group eyes FKI Babcock power unit

By Nick Garnett in London

WESTINGHOUSE Electric, the US heavy engineering and electronics group, has told FKI Babcock that it is interested in purchasing the British company's power station equipment business.

Mr Tony Gartland, chief executive of FKI Babcock, the group formed out of last year's purchase of Babcock by FKI, said yesterday that Westinghouse had told the company that if FKI was willing to sell the power business it was interested in buying it.

FKI was thinking about the approach but no meetings had been set up with Westinghouse, Mr Gartland said.

Pittsburgh-based Westinghouse is the world's largest supplier of nuclear reactor systems for power stations, as well as being a producer of steam and gas turbines and transmission equipment.

Babcock's power business, based at Renfrew, Scotland manufactures boilers for nuclear plant as well as for coal-fired stations.

Mr Gartland has made it clear that the company will sell the Renfrew business if it gets a good enough offer but that it is also prepared to run the the business as part of the group.

A number of companies have already shown interest in purchasing Babcock's power station equipment interests but the stumbling block has been price. FKI is believed to want about £100m ($175m).

The power industry believes that Westinghouse, which has no power equipment manufacturing site outside North America, actually made a formal offer shortly after the formation of FKI Babcock. The latest approach from Westinghouse, which had net income last year of $739m on sales of $10.7bn, is believed to have been made last week.

One of Westinghouse's main reasons for wanting to buy Renfrew is Babcock's position in the British nuclear power programme.

Salomon posts $74m loss and adopts bid defence

BY ANATOLE KALETSKY IN NEW YORK

SALOMON INC, the large Wall Street brokerage and investment house, has lost $74m or 68 cents a share after tax in the fourth quarter. Along with its results announcement, the company said it had adopted a "poison pill" or shareholder rights plan, designed to ward off the possibility of a hostile takeover bid.

The poison pill arrangement, which is unusual although by no means unique in the securities industry, seems to reflect the firm's concern that the sharp fall in its stockmarket value since October might leave it exposed to corporate raiders – an experience which Salomon avoided last summer when it managed in the nick of time to keep a large block of its stock out of the hands of Mr Ronald Perelman.

Mr John Gutfreund, the group's chairman, said the rights plan was needed because the firm had recently undergone extensive restructuring in response to October's losses and was now in "an interim period between the implementation of our plans and the future realisation of our expectations."

It was necessary "at this time to ensure that the full values of the firm are protected for its shareholders."

The fourth quarter losses resulted from what Mr Gutfreund called the "most hostile environment for financial markets in modern history." But after sustaining heavy losses during the market crash in October, Salomon returned to profit in the last two months of the year.

Much of Salomon's $74m loss, which compared with a profit of $81m or 53 cents a share in the 1986 fourth quarter, was attributed to one-time charges which contributed a net $58m or 44 cents a share to the quarter's loss. In addition, Salomon said it lost $79m before tax because of its involvement in underwriting shares in British Petroleum, the UK oil group partially privatised shortly after the crash.

The special items included a charge of $51m after tax for pulling out of a big property project on the Coliseum site in mid-town Manhattan. The Coliseum was to have been the new home for Salomon's business in the 1990s, but the firm ended its involvement in the controversial redevelopment soon after the October crash.

Salomon also provided $38m after tax for the costs of an extensive corporate restructuring, which involved the dismisal of about 800 staff. These headcount reductions were now completed, Mr Gutfreund said.

Partly offsetting these charges was a net gain of $31m from the disposal of a mortgage banking business.

For 1987 as a whole Salomon made a profit of $142m or 86 cents a share, compared with a profit of $516m or $3.32 in 1986. Its total revenues in 1987 were $6.003bn, compared with $5.789bn the year before.

SAS to buy 40% stake in Argentine airline

BY TIM COOONE IN BUENOS AIRES

ARGENTINA is to sell up to 40 per cent of Aerolineas Argentinas, the strike-plagued state-owned airline, to Scandinavian Airlines System, the Scandinavian carrier.

Mr Rodolfo Terragno, Argentina's Minister for Transport and Public Works, said the sale, the "biggest privatisation move in Argentina for decades," was necessary to expand the airline "in a very competitive world market."

There was "no alternative" for the heavily indebted company if it was to survive in the era of airline deregulation.

In Stockholm, an SAS official said the deal was conditional on a feasibility study whose results should be available in May.

Mr John Herbert, SAS public relations director, said the deal was also conditional on a valuation of the airline, either by the World Bank or by independent assessors nominated by it.

The move reverses earlier government policy of leaving the national air carrier off the list of state companies to be privatised and took trade unions, politicians and senior airline officials by surprise.

Secret talks have apparently been underway in Buenos Aires and Stockholm for months and the sale is reported to have the blessing of President Raul Alfonsin of Argentina.

The government is to retain 51 per cent ownership and 9 per cent is to be offered to the company's 10,000 employees, presumably as a sweetener

GM Hughes Electronics earns record

By Our New York Staff

GM HUGHES Electronics, the separately quoted and defence subsidiary of General Motors, earned $146m or 36 cents a share in the fourth quarter of 1987, against with $107m or 27 cents for 1986.

In 1987 as a whole, GMHE earned a record $670m or $1.67 a share, 13 per cent up on the $594m or $1.48 profits of the previous year.

Revenues for the full year were virtually unchanged at $10.48bn, with $2.7bn against $2.6bn in the final quarter.

Mr Roger Smith, GM's chairman who also chairs the GMHE board, said the flat revenues reflected a "more restrictive defence spending environment and a general decline in vehicle sales."

INTERNATIONAL COMPANIES AND FINANCE

Reorganisation by Lai Sun group

BY DAVID DODWELL IN HONG KONG

LAI SUN GARMENTS (International), a Hong Kong jeans manufacturer controlled by the family of Mr Lim Por Yen, yesterday announced a corporate reorganisation. This will hive off its substantial property interests while mounting rights and preference share issues intended to raise a total of HK$600m (US$76.9m).

The funds raised will reduce indebtedness following the purchase last October of Crocodile Garments, another local clothing producer, for HK$792m.

The Lai Sun reorganisation, which was originally planned for October but was delayed because of the world stock market crash, is based on a conviction that its property and investment interests, amounting to about HK$2bn, have different requirements, both in management and in terms of capital, from the group's traditional garment businesses. Both companies are expected to be listed on the Hong Kong Stock Exchange.

The new property and investment vehicle is to be called Lai Sun Development. A total of 300m new preference shares in this company are to be placed with institutions and outside investors at HK$1 each. A rights issue to existing holders of ordinary shares will raise a further HK$300m.

On completion of the rights issue and placement, Lai Sun Garments will hold 75 per cent of the preference shares in its subsidiary. It will hold just over 50 per cent of the ordinary shares, with the Lim family holding a further 25 per cent. The family in turn has a controlling 48 per cent stake in Lai Sun Garments.

Lai Sun shot into the limelight last year when it was linked with the Lau family which controls Evergo and Chinese Estates in an attempted takeover of Hongkong and Shanghai Hotels, a long-established group that includes the prestigious Peninsula Hotel in Hong Kong.

The attempt eventually failed, after a protracted battle for board control, but Lai Sun emerged with a substantial windfall gain from the affair.

Evergreen Marine plans share issue

By Bob King in Taipei

EVERGREEN MARINE, the Taiwan arm of the Evergreen group, which operates the world's largest container fleet, is planning a share issue to expand public ownership from 5 per cent to nearly a quarter.

The offering will total 200m new shares, sold in two stages and carrying a nominal value of T$2bn (US$69.9m). It will, however, be late this year before the first 80m shares come to the market. If the share issue is approved at a shareholders' meeting on March 25, the company will seek SEC approval.

Mr C.P. Chang, deputy chairman of Taiwan's Securities and Exchange Commission, said yesterday that he had no knowledge of the share issue. Under a revision of the securities law last month, SEC approval will require much more stringent scrutiny than in the past.

Evergreen Marine also reported net earnings of T$2.06bn for last year, doubled from Y$1.03bn, on revenues of T$22.05bn compared with T$20.20bn.

Last year it issued 41m shares, representing about 5 per cent of its capital. The flotation was oversubscribed about 50 times.

Evergreen said it would make the new issue in part to help finance a US$135m purchase of three 53,000dwt container vessels and three smaller ships from Evergreen International, its parent, which is registered in Panama.

It is unclear, however, why the Taiwan company should have to raise public funds to buy ships essentially from within the group instead of undertaking a simple transfer of assets.

Last year's flotation was preceded by massive company publicity concerning its intentions to invest in the manufacture of marine engines, yachts and container vessels. Evergreen Marine officials were unavailable yesterday to detail progress on these projects, none of which is believed yet to have gone into production.

Evergreen has reported doubled profits at a time when the world shipping industry remains depressed. Its decision to buy more ships will extend an exposure which analysts last year put at US$1bn or more.

Westpac lifts offer for AGC

BY OUR FINANCIAL STAFF

WESTPAC BANKING of Australia was yesterday obliged to raise its offer for the minority holdings in Australian Guarantee Corporation (AGC), its finance offshoot, but as a result won the approval of Sir Ron Brierley's Industrial Equity (IEL) which had threatened to disrupt the plan.

The increase will cost Westpac at least an extra A$41m (US$29.1m) in cash or shares and values the whole of AGC – which is already 76.8 per cent owned – at some A$1.2bn.

Sir James Foots, Westpac chairman, said the increase followed discussions with the independent directors of AGC but it also follows the intervention of IEL, which recently unveiled an 8.5 per cent stake in AGC, making it the largest minority shareholder.

Mr Rodney Price, IEL chief executive, said his company would accept the increased cash offer which was "quite fair and reasonable under the circumstances."

The cash alternative is lifted to A$3.40 a share from A$2.90, while the scrip offer is now eight Westpac shares for every 10 AGC shares – the original bid a month ago was on a seven-for-10 basis. Westpac shares closed yesterday at A$4.83, making the enhanced paper offer worth A$3.86 a share.

The bid remains conditional on Westpac becoming entitled to 90 per cent of AGC with acceptances from 75 per cent of shareholders.

● NZI, the New Zealand financial services group, showed a 7.4 per cent fall in net profits to NZ$104.3m (US$69.2m) in the nine months to last December, a period in which it said the October stock market collapse made a NZ$45m negative impact on earnings. Revenues rose 12.1 per cent to NZ$1.66bn.

Packer sells 20% Colly stake

BY CHRIS SHERWELL IN SYDNEY

MR KERRY PACKER, the Australian businessman, yesterday sold his 20 per cent shareholding in Colly Farms Cotton after losing a takeover battle for the group to Anglo American Agriculture (AAA) of the UK.

Mr Packer's A$1.86 per share offer for the company was overtaken by AAA, which put in a late bid of A$2.10 a share and won control last week.

Success for Mr Packer would have given him control of 40 per cent of Australian cotton production, as he had earlier bought Auscott, the large Australian cotton operation owned by J.G. Boswell of the US.

Now there is confusion over whether AAA can acquire Auscott. Colly Farms, under a complicated plan abandoned after the share market crash, was to have acquired control of Auscott. But a dispute has arisen over whether that remains legally enforceable.

Mr Packer's decision to sell out to AAA will net him a handsome profit, since his share purchases were made for A$1.86 or less.

Sappi profits more than doubled

By Jim Jones in Cape Town

SAPPI, SOUTH Africa's biggest pulp and paper maker, benefited from buoyant domestic and export markets last year and expects this to continue in 1988.

Turnover rose by 19 per cent to R1.31bn ($647.5m) from R1.10bn, while higher prices contributed to a more than doubling of pre-tax profits to R257m from R108m.

Mr Eugene van As, managing director, says that higher world prices for pulp and paper helped offset the effect on margins of a comparatively high rand/dollar exchange rate. He expects export demand and prices to remain buoyant and says domestic demand is strengthening with improved consumer spending. Nevertheless he is reluctant to predict this year's profit.

Pulp production was halted for two months by a chemical explosion in November at the Ngodwana mill, now back in full production. Operations in Natal were affected by floods in the province.

Net earnings rose to 317 cents a share from 116 cents and the dividend has been raised to 130 cents from 40 cents. Sappi is controlled by Gencor, the mining and industrial group.

●South African Eagle, an offshoot of the Eagle Star group of the UK, returned to an underwriting surplus in 1987 although it was affected by the Natal floods.

Gross premiums increased to R528m from R370m and the underwriting surplus was R8.3m against a deficit of R5.4m. The pre-tax profit rose to R37.5m from R17.6m.

Net earnings rose to 211.8 cents a share from R117.6 cents and the dividend is up from 75 cents to 125 cents.

Finsider plans to hive off loss-making subsidiaries

BY JOHN WYLES IN ROME

THE BOARD of Finsider, the loss-making Italian state-owned steel company, is expected today to approve a plan which will hive off into a separate group most of its seriously failing companies, together with those for sale to the private sector.

This collection of offshoots – either mortally sick or ripe for restructuring – would be held in a company nominally managed by a liquidation committee. Overall responsibility, however, would remain with top Finsider executives.

The "healthy" part of Finsider, or at least those companies least responsible for last year's L1,500bn ($1.2bn) loss, would be grouped in a new operating company which would have to be recapitalised and whose plant and machinery would be written down to reduce Finsider's abnormally high amortisation costs.

As previously reported, the cost of this exercise is estimated to be about L6,000bn. The Finsider plan will have to be approved by the board of Iri, the parent company.

Apart from the size of the financial requirement, the plan is studded with a variety of political pitfalls.

The overall need to cut 25,000 jobs – out of 72,000 – is already drawing fierce union protests, while the plan to put the failing units into a separate group will clearly identify them as beyond redemption.

The scheme will also be seen as making these companies available for bargaining at European Community level, where Italy may be required to sacrifice at least one rolling mill as part of a broader programme of capacity reduction.

But Finsider's vital need for more operating subsidies from the Government will probably require it to promise further closures from among the group of casualties in return for European Commission approval.

Linde bids for French group

BY GEORGE GRAHAM IN PARIS

IN THE often sleepy French regional bourse of Nancy, a tussle is breaking out that promises to provide a miniature image of two of the most heated takeover battles France has seen in the last year.

The contest for control of Manufacture Alsacienne de Tabacs (MAT) and, through it, its industrial gasses subsidiary Oxygene Liquide, features Linde of West Germany and Air Products of the US, two of the participants in the heated auction of Duffour et Igon, another gas producer, which was eventually won by Sweden's Aga.

The issue raises again some of the questions over French takeover law that were left unanswered in the recent battle for Martell, the cognac group in which Seagram of Canada beat the British group Grand Metropolitan.

The Oxygene Liquide battle opened with Air Products signing an agreement to buy control of MAT from Reemtsma, the West German tobacco group. It undertook to support the price in the market at FFr4,217 a share, valuing the group at FFr42.2m ($7.37m).

Undeterred, Linde, which nine months ago was willing to pay FFr499m, or 38 times historic earnings, for Duffour et Igon, has lodged a public offer of FFr4,290 a share for MAT, valuing it at FFr42.9m, or nearly nine times earnings.

MAT's shares, now suspended, were last traded at FFr2,250 each. About 300 of the company's shares change hands in a typical year.

The overbid underlines the message of the Duffour et Igon battle, that companies wanting to expand in the concentrated industrial gasses sector have little alternative to buying an existing producer – of which few are up for sale.

Gotthard Bank earnings edge ahead

BY WILLIAM DULLFORCE IN GENEVA

GOTTHARD BANK (Banca del Gottardo), the Lugano-based Swiss bank controlled by Sumitomo Bank of Japan, proposes to raise its ordinary shareholders' dividend from 16 per cent to 18 per cent from 1987 net earnings of SFr40m ($29m), up by 2 per cent.

Last year, to mark its 30th anniversary, the bank paid a 4 per cent bonus in addition to the 16 per cent ordinary dividend.

The board is also proposing to increase the share and participation certificate capital from SFr133.2m to SFr143.5m through a one for 13 rights issue. The issue price will be SFr300 for each of the 80,000 shares and 22,500 participation certificates.

After the capital increase, shareholders' equity will amount to SFr508m compared with an end-1987 balance sheet total of SFr4.87bn, up by 8 per cent from 1986.

Mr Fernando Garzoni, chairman, said the dividend and capital increases reflected the "particularly advantageous policy for shareholders" that Gotthard Bank had adopted over recent years.

Sumitomo bought a 53 per cent controlling stake in the bank in 1984 from Banco Ambrosiano Holding, Luxembourg.

Gross earnings rose in 1987 by 7.4 per cent to SFr87m. The SFr40m net profit was struck after a 12.5 per cent rise in depreciation and provisions to SFr47m.

An extraordinary dividend of SFr10m from Gotthard Bank International, Nassau, was allocated to reserves, as well as SFr16m from net earnings.

These allocations, the annual report states, are intended to reach the bank's objective of "providing 100 per cent cover over the next few years for all risks connected with exposure towards countries with problems deriving from excessive indebtedness."

Gotthard Bank said the negative effects of the October collapse of stock markets had been "marginal," since only 2 per cent of its investments in securities were in shares and participation certificates.

Storebrand warns staff of big shake-up

By Karen Fossli in Oslo

MR JAN ERIK LANGANGEN, managing director of Storebrand, Norway's largest insurance company, yesterday warned his 1,500 employees of a large-scale restructuring plan to be implemented this year because of expected losses of up to NKr200m ($31.2m) on loans and securities during 1987.

Although details are scarce, Mr Langangen hinted at a reduction of affiliated companies and a staff cut of up to 300. Annual staff turnover is between 300 and 350.

Mr Langangen is unlikely to pull any punches when he reveals his final plan. When he took over at Storebrand, in 1983, he began a restructuring programme to rip out the weak links in its organisation. By 1985 the company's six top managers had departed.

In all, some 22 top or upper managers have left Storebrand since Mr Langangen's arrival.

Storebrand is due to publish its 1987 results on March 18. For 1986 the group made an operating profit of NKr230m.

Flat year at S-E Banken

BY OUR STOCKHOLM STAFF

SKANDINAVISKA Enskilda Banken, Sweden's largest bank, reported virtually unchanged operating profits for 1987 at SKr4.05bn ($669.4m), with the dividend for A class shares rising from SKr3.6 to SKr4.25.

In line with other leading Swedish banks, S-E Banken staged a dramatic increase of 87 per cent in operating profits in 1986. It was helped by falling interest rates, large capital gains from bond sales and the effects of deregulation of the Swedish market.

The bank said it had managed to match the 1986 full-year results – after showing an 8 per cent drop at the eight-month stage – largely because of yields from its large bond portfolio, higher volumes in borrowing and lending, and reduced credit losses.

Unlike some of the other Swedish banks, however, S-E Banken did not make substantial losses in options and futures last year.

Net interest earnings increased by 13 per cent to SKr5.04bn chiefly due to the bank's bond activities: the margin between long-term bonds and short-term rates in the money market widened by 3 per cent last year, which the bank said allowed it to increase its yield.

Share trading in Carnegie halted

THE STOCKHOLM Stock Exchange yesterday called a halt to trading in the shares of D. Carnegie and Co and Investment AB Asken, two companies controlled by Mr Erik Penser, the Swedish financier, and of Ratos, an investment company controlled by the Soederberg family, **writes Sara Webb from Stockholm.**

The companies are believed to be negotiating a possible reorganisation of Carnegie, a retailing, wholesale, property management and financial services group, which could result in the sale of some of Carnegie's activities.

Ratos, which has interests in the hotel and real estate business, recently agreed to sell its holding in Holmen, the forestry group, for SKr1.4bn ($231.4m), which will provide it with necessary funds for a big acquisition.

Ericsson posts 18% advance in income

By Sara Webb in Stockholm

ERICSSON, the Swedish telecommunications group, reported an 18.6 per cent increase in profits (before appropriations and tax) to SKr1.08bn ($178.5m) for 1987, compared with SKr911m in the previous year.

Group sales nudged ahead by 2.4 per cent to SKr32.4bn. The board has proposed keeping the dividend at last year's SKr9.

Ericsson showed a strong increase in its fourth-quarter profits (before appropriations and taxes) to SKr627m, compared with SKr543m in the corresponding 1986 period.

Final-quarter profit (after capital gains) rose by about 45 per cent to SKr567m, while sales rose by 6 per cent to SKr10.5bn.

The group said the sharp improvement in its financial income was due to lower interest expense resulting from the reduction of tied-up capital.

Full-year income was boosted by net capital gains of SKr375m from the sale of real estate and shares, including those in the company's Mexican subsidiary.

Though the group does not give a break-down in its preliminary report for each division, it said its information systems business area had seen "a sharp reduction" in losses.

This division has been restructured and last month Ericsson agreed to sell its computer and banking and business systems operations to its Nordic rival Nokia, the Finnish diversified electronics group, for about FM1bn ($243.9m).

The remaining part of Ericsson Information Systems is expected to turn to profit in 1988.

The public telecommunications, network engineering and construction, and components divisions all showed increased operating profits in 1987.

Audet agent clears way for VNU takeover

By Laura Raun in Amsterdam

AN AGENT for shareholders of Audet, the Dutch newspaper chain, yesterday opened the way for a takeover by VNU, the largest publishing company in the Netherlands.

But in approving changes to Audet's by-laws, the agent made its approval conditional on at least 51 per cent of Audet holders tendering their shares to VNU under the public offer.

VNU is offering 2.5 newly issued shares plus Fl 100 ($52.6) in cash for each Audet share under an agreement, announced last December, between the two companies' managements.

A group of dissident Audet holders, representing about 30 per cent of all shares outstanding, had filed suit to stop the agent from voting in favour of the by-law changes. The court decided against their suit on Monday.

The dissident shareholders had argued that VNU's offer was too low and that the agent must represent shareholders' best interests.

Like many Dutch companies, Audet issues non-voting share certificates to holders while the actual shares and voting rights are held by an agent.

Until now, however, an agent's official role has rarely, if ever, been legally contested.

At yesterday's bourse prices, VNU's offer amounted to Fl 265 a share, compared with Audet's share price of Fl 266.

This puts a price of about Fl 262m on the deal.

Audet specialises in regional newspapers. The dissident shareholder group, which includes small Dutch newspapers and US investment funds, intends to try to persuade Audet holders to refuse the VNU tender.

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Coupons cut on Japanese equity warrant issues

BY CLARE PEARSON

NEW ISSUE managers were yesterday compelled to cut coupons on new Eurodollar Japanese equity warrants bonds to as little as 4½ per cent at the pricings as almost all recent issues traded well over par.

Yet, underlining the cautious approach of Japanese securities houses to the sector, which was reopened last month after a hiatus of nearly three months, issues announced yesterday were still indicated with coupons ¼ per cent higher. There is a gap of a week between announcement and fixing.

Five per cent coupons had been set on this year's inaugural deals – all of which have five-year maturities – but that was before the strong rally in the US Treasury bond market.

Yet syndicate managers said they could not afford to jeopardise demand for the new issues by indicating lower coupons while a host of deals, postponed at the time of last October's stock market crash, were still waiting in the wings.

A similar coupon-cutting process was under way in Switzerland yesterday: four recent convertibles for Japanese companies had their terms adjusted at the pricings in the favour of the borrower.

None of the Eurodollar equity warrants bonds whose coupons were cut yesterday, for **Dowa Fire and Marine Insurance, Toyo Wharf and Warehouse, Mitsui Petrochemical Industries** and **Dai-Ichi Seiyaku**, suffered significantly in price.

The biggest downward move was seen on a $150m deal for Dai-Ichi Seiyaku, the pharmaceuticals company. This fell by three points to 107 bid after its coupon was cut from 5 per cent to 4¾ per cent.

In Switzerland, semi-annual coupons on SFr100m convertibles for **Daiei Finance**, a subsidiary of the stores group, and **Dai-Ichi Seiyaku**, were set ¼ per cent lower than had been indicated, at 1 per cent.

Investor's put options were also set at less generous levels than indicated. For instance, that on Daiei's bond will yield 2.964 per cent, about ¼ per cent less than expected when it was announced. Prices of the Swiss franc convertibles eased slightly after fixings

All the newly announced Eurodollar equity warrants issues, with 5 per cent coupons, were for $100m, with five-year maturities and priced at par. They were an issue for **Shin-etsu Chemical**, led by Nikko Securities, bonds for **Takashimaya**, the upmarket department store chain, and **Trio-Kenwood**, the audio appliances manufacturer, both led by Nomura International, and a deal for **Sumitomo Marine and Fire Insurance**, led by Daiwa Europe.

One new convertible emerged in dollars: a $200m 15-year par-priced deal for **Mitsui Bank** led by Mitsui Finance International. The coupon is indicated at 2¾ per cent and it was bid at less 1.

INTERNATIONAL BONDS

Meanwhile, **Mitsui Bank** also issued a SFr300m two-tranche five-year convertible in Switzerland, split equally between a public bond and a private placement. The coupon is indicated at 1 per cent, semi-annual. It is led by Swiss Bank Corporation.

Banca del Gottardo launched a SFr100m par-priced five-year convertible for **Itoman**, the Japanese trading company, with an indicated 1¼ per cent annual coupon. Both deals incorporate calls and puts.

In the straight Eurodollar bond market, only one issue emerged as most issuing houses held their fire ahead of this Friday's US December trade data, seen as critical to the near-term direction of the dollar and the bond market.

But **LTCB International** said it was very pleased with the response to its $150m 8⅞ per cent five-year deal for its parent company. With an initial yield spread of slightly more than 85 basis points over US Treasury bonds, it was seen as reasonably priced. It was quoted at less 1.80 bid to 101½ issue price, a shade inside 1⅞ per cent fees.

In secondary trading, Eurodollar bonds closed about ¼ point higher in the 10-year area in response to the firmer US Treasury bond market. Dealers described the market as quiet but firm.

Banque Paribas Capital Markets led a C$85m three-year 9½ per cent bond for **Nederlandse Gasunie**, priced at 101¼, while Swiss Bank Corporation Investment banking led an A$50m 12¼ per cent three-year bond for **Rabobank Nederland**, priced at 101½.

Two bonds enabling the investor to take a punt on the Japanese securities markets emerged in Euroyen.

Daiwa Europe led a Y20bn five-year bond for **Banca Commerciale Italiana's** London branch. The deal comes in two equal, "bull and bear" a tranches, both with 7 per cent coupons and 101¾ per cent issue prices, with redemption amounts linked by formulae to the December 1992 Japanese government bond future.

Nikko Securities led a Y21bn five-year issue for **Mortgage Bank of Denmark**, split into a Y7bn "bull" tranche, and a Y14bn "bear" tranche, both with redemption linked to the Japanese Topix index of First Section shares. The 3 per cent "bull" tranche is priced at 100⅝ while the 5 per cent "bear" tranche is priced at 100½.

D-Mark Eurobond prices were maintained in quiet turnover.

Dresdner Bank led a DM300m 6 per cent 10-year bond for **Banque Francaise du Commerce Exterieur**, priced at 100¾, while **Westdeutsche Landesbank** led a DM200m 5 per cent five-year issue for its Luxembourg subsidiary, priced at 100¼.

In Switzerland, prices were unchanged though in active trading. Swiss Bank Corporation followed other big Swiss banks and cut interest rates on some cash bonds by ¼ per cent.

Goldman Sachs Finance led a SFr100m eight-year 5 per cent bond for **American Medical International**, the US hospital operator, priced at 101.

Privatbanken announced a Dkr400m 15-yearissue for **Copenhagen Telephone**. Priced at 100¼, it pays interest at 10 per cent, but the coupon may be changed after the fifth and 10th years, at which points it may be put by the investor.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 9

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	96	96½	0	+0½	8.64
All Nippon Air 9⅞ 97	100	†98½	99	0	+0½	9.56
American Brands 8⅞ 92	150	98½	99	0	+0⅞	9.20
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	101⅝	102	0	0	4.93
Belgium 4⅝ 94	45	96¾	97¼	0	−0⅛	5.19
E.I.B 4⅝ 94	40	97¼	97⅝	0	−0⅛	5.12
[illegible]						

OTHER STRAIGHTS [illegible]

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Riyadh to restrict treasury bond sale

By Richard Johns

SALES OF treasury bonds by the Saudi Arabian Government, worth as much as the equivalent of about SR30bn ($8bn) – officially reckoned to be required to balance the 1988 budget – will be restricted to domestic commercial banks and public corporations, a senior official in Riyadh was quoted as saying yesterday.

Mr Saleh al Omar, Deputy Minister of Finance and Economy, was reported by the newspaper al Sharq al Awsat, as saying that the bonds would be issued in stages "as need arises" and would have varying dates of maturity.

He named the state-owned Pension and Insurance Fund as a prospective purchaser apart from the commercial banks, which are all predominantly locally owned.

Western analysts are sceptical that the Kingdom's borrowing requirement will be so large, despite flagging oil revenues. Estimates of the foreign assets at the disposal of the Saudi Government vary from about $30bn to around $90bn.

Inhibited by the strict Islamic religious disapproval of interest, the government's plans to raise money on the market are also believed by foreign bankers to be largely motivated by political reasons.

They say that a principal motive in declaring the intention to raise SR30bn, which would amount to nearly a quarter of projected state expenditure this year of nearly SR141bn, was to make it clear that Riyadh could not go on indefinitely financing Iraq's war effort against Iran.

Another would be to reduce the large element of liquidity in the Saudi banking system. Much of this is available for speculation against the Saudi riyal in Bahrain's offshore banking centre.

The Saudi Government is reluctant to devalue the riyal, which is closely linked to the dollar. Such a step would add to the country's import bill and cost of living, even if it increased state revenues in riyal terms.

The assumption is that funds would be raised on a discounted basis similar to the Bankers' Secured Deposit Accounts, already issued on 30 to 180 day maturities by the Saudi Arabian Monetary Agency, the Kingdom's central bank.

Reuter reports from Bahrain: Bahrain's monetary authorities have drawn up a framework, based on a points system, for assessing credit risk to help banks determine the level of loan loss provisions for countries and borrowers with payments difficulties.

The Bahrain Monetary Agency has issued details to all banks incorporated on the island but added it had emphasised the system "should not be regarded as an exhaustive or definitive framework."

Stanbic lifts pre-tax profits

By Our Financial Staff

STANDARD BANK Investment Corporation (Stanbic), the South African bank divested in August by Standard Chartered of the UK, boosted 1987 pre-tax profits by 23.2 per cent to R329.4m ($162.8m) from R267.3m.

Mr Conrad Strauss, managing director, said yesterday the sale by the London-based bank of its residual 39 per cent shareholding "has made not an iota of difference" to the way Stanbic operates. It is the second largest commercial bank in the country, ranking after First National Bank, which was formerly controlled by Barclays.

The Standard Chartered stake was sold to a number of South African companies including Liberty Life, Old Mutual, Gold Fields of South Africa and Rembrandt, for some £155m ($271.2m).

At the attributable level, Stanbic showed a 5.3 per cent profit rise to R220.1m from R209m. The total dividend was lifted to 82 cents from 78 cents, paid from net earnings of 225 cents a share against 215 cents.

The bank drew benefit from a sharp fall in bad debts to R52.2m from R164.2m. Weak demand for credit meant, however, that advances and other accounts grew only 5.9 per cent to R18.55bn from R17.52bn, while total assets at the year-end were R27.62bn compared with R25.10bn.

Commercial banking contributed R121.5m to net profits, up 8.2 per cent, while Standard Credit Corporation brought in R34.6m, a jump of 170 per cent.

BIS QUARTERLY REPORT

Japan increases domination of banking market

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

INTERNATIONAL BANK lending again grew briskly in the third quarter of last year, with Japan increasingly dominating banking markets, according to figures from the Bank for International Settlements.

Cross-border claims of banks in Japan, at $509bn, for the first time exceeded those of banks in the US. Japan was the source of two-thirds of the $43bn of new funds supplied into the international banking system during the quarter.

The yen's role in the world's banking system was enhanced. Moreover, Japanese banks have accounted for nearly two-thirds of growth in international lending to non-bank recipients over the past year, the BIS said.

Meanwhile, US banks contributed heavily towards the financing of the US current account payments deficit with the result that they moved into a a net liability position to the rest of the world for the first time since 1975.

The Basle-based BIS said total cross-border claims of banks within its reporting area – the industrialised world plus other international banking centres – rose $193bn during the quarter, with $181bn accounted for by claims between banks.

The third-quarter data are distorted by window-dressing activities of Japanese banks for accounting purposes. But the BIS reported a $124bn surge in claims between banks in Japan and in other centres – much larger than in previous such quarters.

Much of this involved other Asian financial centres, with the opening of the offshore banking market in Tokyo late in 1986 producing arbitrage opportunities with Hong Kong and Singapore.

Final lending – net of double-counting of interbank deposits – was $55bn, still running at a fast pace though below the $70bn of the second quarter. It brought the total for the first nine months to $190bn, compared with $115bn in the same period of 1986.

US banks were net takers of $31bn during the quarter, accounting for most of a record $32bn flow into the US. This was encouraged by a temporary return of confidence in the dollar as well as by relatively high US interest rates.

Japanese borrowing in the Eurocurrency markets was the other main component of final lending. Japanese non-banks borrowed nearly $20bn to finance foreign investments.

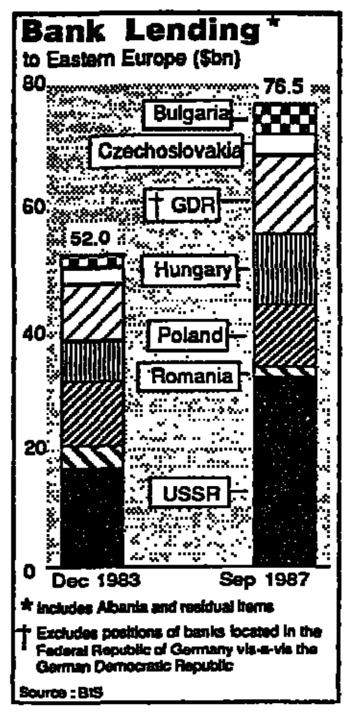
The yen is increasingly important in international finance, with cross-border lending in the currency rising strongly both from Japan and in the Euromarkets. A growing proportion of Japanese banks' international assets and liabilities was denominated in yen.

Euroyen claims now exceed those in Euro-Swiss francs, and the BIS said the size of the Euroyen market might be close to the Euro-D-Mark market if a currency breakdown were available for offshore banking centres.

An annual survey by the BIS showed that Japanes banks accounted for 55 per cent of the $714bn increase in total international banking claims between September 1986 and 1987, with their share of total activity growing from 31 to 35 per cent. After discounting the fact that 45 per cent of the expansion was accounted for by claims between different offices of the same banks, the rate of growth of international assets of Japanese banks was about 25 per cent.

While Japanese banks accounted for 63 per cent of the expansion of direct lending to non-banks. West German and US banks were quite large net recipients of deposits

The BIS figures also showed that bank loans outstanding to developing countries outside the Organisation of Petroleum Exporting Countries contracted by $5.5bn during the quarter, and that these countries also ran down their deposits by $1.4bn.



* Includes Albania and residual items

† Excludes positions of banks located in the Federal Republic of Germany vis-a-vis the German Democratic Republic

Source: BIS

Debt trend benefits Eastern bloc

By Our Euromarkets Editor

EASTERN EUROPEAN countries have been indirect beneficiaries of the trend towards securities in the debt markets in the Western world, the Bank for International Settlements says.

In a study of lending to Eastern Europe accompanying its quarterly lending figures, the BIS says: "The securitisation of most international borrowing by industrial countries during the early and mid-1980s, and the lack of many credit-worthy borrowers elswhere, had the indirect effect of stimulating banks' interest in new lending to most Eastern European countries."

Banks thus stimulated were also encouraged by the economic adjustments of Eastern bloc countries during the early 1980s. These adjustments and the dollar's strength reduced debt/export ratios and debt service.

As a result, banks' claims on Eastern Europe, which dropped from $61bn in 1981 to $48bn in 1984, had risen to $77bn by September last year.

The BIS said part of this increase was due to exchange rate effects (because of non-dollar borrowing) and that the bulk of the increase took place in 1985.

The Soviet Union has accounted for the most of the rise, with its outstanding loans nearly doubling to $31bn over the past five years.

Maturity structures differ widely within the bloc. Czechoslovakia has a high 59 per cent falling due within a year, while Poland, thanks to a rescheduling, has 60 per cent falling due after two years.

Despite the rise in lending, the BIS warns that the balance of payments positions of several countries are fragile and that poor export performances and the dollar's fall have weakened debt ratios and increased servicing burdens.

Eastern Europe faces a dilemma because internal structural changes require increased imports and thus foreign credit.

"However, such credits will only be forthcoming if the financial markets are persuaded that these policies of structural change are compatible with improvements in these countries' external performance," the BIS says.

Rhône Poulenc raises $300m

BY OUR EUROMARKETS EDITOR

RHONE-POULENC, the French chemicals group, is seeking a $300m multiple option facility in the Euromarkets with BNP Capital Markets as arranger.

The five-year credit, extendable to seven years, has a complex structure for its facility fee. At the outset, the fee is five basis points for "available" amounts and three basis points on amounts designated as "unavailable."

Rhône-Poulenc may deem as much as 75 per cent unavailable at the outset, but this falls to 50 per cent after one year, to 25 per cent after two years, and then to zero. A borrower must give prior notice of drawing "unavailable" amounts or pay a penalty.

Drawings will be at London interbank offered rates with no margin, though those in domestic French francs will be at eight basis points over Paris offered rates. There are utilisation fees of two basis points if the facility is up to one-third drawn, four basis points above one-third and six basis points above two-thirds. Front-end fees range up to six basis points for commitments of $30m or more.

Separately, Bank Hapoalim (Switzerland) was lead-manager for a DM30m loan for **Israel Electric Corporation**, with Israel's guarantee, to finance a coal handling dock. The five-year loan was at ¾ percentage points over London interbank offered rate.

Parcel side gain helps Securicor pass £20m

By Heather Farmbrough

PASSING THE parcel helped boost profits by 22 per cent at Securicor, the security services company which has a 50 per cent holding in Security Services, the delivery business. In the year to September 30 1987 the pre-tax figure was £20.17m, up from £16.44m the year before.

Mr Chris Shirtwell, finance director, said the parcel delivery business had been growing at around 15 per cent a year for some time. "Much of the new business is coming from freight haulage, with companies anxious to cut stock-holding costs by using overnight delivery services," he said.

There was a strong improvement in the UK security, communications and parcels businesses, with profits up from £8.8m to £13.9m.

The results do not include any contribution from joint venture operations in Cellnet cellular radio, Band III private radio and the Datatrak vehicle location system.

Profits from overseas activities fell by £1m to £1.6m, mainly as a result of adverse trading performances in the Republic of Ireland and France.

Earnings per share for the group were 8.7p (7.8p), and for Security Services 9.8p (8p). The final dividend for both companies increases by 10 per cent to 0.814p for the group, and 1.507p for Services.

• comment

Repelling bandits in the streets is not where the excitement lies for the Securicor Group. Indeed, it is quite the reverse; the more violent the times, the more money Securicor loses on insurance and hold-ups. Instead, the underlying recent strength in the share price has more to do with the group's minority interests in mobile communication systems, which are expected to contribute £1m or so to profits in 1988. Yesterday's figures showed a solid increase, but with margins of little over 5 per cent failed to impress the market. The parcels business will not reach its full potential until the 1990s when European customs barriers are expected to be dismantled. The group should meet forecasts this year of £24.4m fairly easily, but with a prospective p/e of 23 times, future prospects are more than well discounted.

BREWERS ON ALERT AFTER LATEST ANTIPODEAN INCURSION

Elders takes 2% stake in S & N

BY LISA WOOD

Elders IXL, Australian brewing, financial and agribusiness group headed by Mr John Elliott, which owns Courage, the UK brewer, has built up a two per cent stake, currently worth £14m, in Scottish & Newcastle Breweries.

Elders, which also holds a 13.1 per cent stake in Greene King, the East Anglian brewer, yesterday refused to comment on why it had built up the stake in S & N.

City analysts said they were unsure as to Elders' motives, although S & N has ben regarded as a possible bid target for some time.

Any take-over move by Elders, which owns no public houses in Scotland and has limited distribution of its brands in the important Scottish public house free trade, would probably run foul of the Monopolies and Mergers Commission.

In a recent report the MMC said there may well be a strong case on public interest grounds against acquisition of regional concerns by any of the five largest national tied estate brewers. Courage was included among these five big brewers while S & N, with a smaller tied estate than the other five big brewers, was not.

A bid for S & N by Elders could open a pandora's box with other of the major brewers choosing to test the MMC.

S & N said a routine monitoring of its share register showed buying of its shares through nominees. Closer inspection revealed that Elders was the beneficial owner of shares representing approximately two per cent of S & N's shares. It is believed the stake was acquired in the late autumn.

S & N, whose trading area is strongest in Scotland, the north and Midlands, made public Elders' stake when its share price started to rise yesterday suggesting Mr Elliott's group could be back in the market.

S & N, which reported pre-tax profits of £57.3m in the half year to November 1, already has one Antipodean shareholder, Ron Brierley, who has been regarded as a friendly investor with about five per cent of the equity. Norwich Union holds a similarly sized stake.

Mr Mike Fenwick, director of corporate affairs at S & N said: "We do not know what Elders' intentions are. It could be the start of a more significent move, it could be an investment or an attempt to gain trading leverage."

Courage has no public houses in Scotland. Its Foster's brand was sold in Scotland by Grand Metropolitan, which brews the brand under licence, until it sold its small Scottish brewing business to Allied-Lyons last year. Courage has recently been negotiating with S & N to service free trade accounts in Scotland with Foster's.

Elders took a stake in Greene King last year allegedly to strengthen its hand in negotiations with the brewer of Abbot Ale. Elders wanted Greene King to distribute Foster's, a move that was resisted.

More than 20 years ago merger negotiations took place between S & N and Courage but fell through because of disputes over leadership of a combined group.

S & N, which recently acquired Matthew Brown, the Blackburn-based brewer, after a protracted battle said: "We do not believe we would be vulnerable to Mr Elliott. We could demonstrate a reasonable pedigree." The brewer said it had had no contact with Elders since the purchase was discovered.

S & N's share price closed at 241p, up 18p on the day.

Domino's 25% rise disappoints market

BY DOMINIQUE JACKSON

Domino Printing Sciences, ink jet printing specialist, posted pre-tax profits of £4.5m for the year ended November 1 1987, 25 per cent ahead of the previous £3.61m, on turnover up 56 per cent to £21.4m.

However, the results failed to meet expectations and the share price slipped 22p to close at 311p.

Earnings per share rose 30 per cent to 20.12p and the total dividend is increased by 26 per cent with a proposed final of 1.7p payable for the first time on the enlarged share capital from the company's one-for-two rights issue in July 1987.

The proceeds of the issue funded Domino's £23.1m acquisition of its US trading partner, American Technologies, now Domino Amjet.

Mr Graeme Minto, Domino chairman, said the US acquisition's results were included for only the final quarter, contributing £3.8m to group turnover and generating local operating profits of £657,000 after extraordinary costs linked to the acquisition.

Mr Minto said the US results were below expectations due to a loss of momentum after the complex purchase negotiations. Domino Amjet lost its edge in the important coding and marking business and its US competitors, led by Videojet, a subsidiary of GEC, had gained market share.

He said the directors were concerned with reliability problems experienced with US-built equipment and that steps were being taken to raise quality standards in line with European ones.

Additional costs had been incurred by the creation of a new group structure with a holding company and five subsidiaries. This was now in place, Mr Minto said.

Outside the US, group growth had been pleasing, he added.

Sales to Domino's Japanese distributor more than tripled to over £1m while Domino's West German subsidiary in Wiesbaden boosted sales by more than two-thirds to £2.8m.

Although the integration of Domino Amjet was taking longer than anticipated, Mr Minto said full benefits of the acquisition would be seen by the second half of 1988.

• comment

Domino has fallen from grace by failing to make an immediate success of an acquisition which looked like such a sound move only a few months ago. It is surprising that so many problems were encountered at American Technologies, Domino's principal US trading partner and licensee, a company it should have known intimately. It now appears that Domino was not as aggressive as it could have been in the tortuous pre-acquisition negotiations which lasted 16 months. Domino has taken steps to redress its problems in the US but these will not be visible in the short term. However, export sales are still looking healthy with plenty of potential market growth, particularly in the Far East and Australasia and hopes are high for new products due out later this year. If Domino manages to make pre-tax profits of £7.3m in the current year, its prospective multiple is about 12.

Manchester Ship Canal setback

BY DAVID WALLER

Manchester Ship Canal Company, yesterday reported 1987 pre-tax profits down by £42,000 to £1.37m after severance payments of £2.9m.

The port at the lower end of the 35-mile canal generated operating profits of £4.4m, up £300,000 on 1986. The inaccessible upper reaches from Runcorn to Manchester contributed a loss of £1.9m, a £500,000 improvement on the previous year.

Overall turnover was £23.4m (£23.3m). Earnings per share contracted from 29.1p to 21.7p, a 34 per cent decline.

Income from property activities fell by £358,000 to £1.7m. The figure was struck after costs of £508,000 incurred as a result of the protracted planning enquiry into the Trafford shopping centre which the company hopes to build on its Barton Dock site.

Investment income was £938,000 (£817,000) and interest payable £365,000 (£389,000). Profit before exceptional items of £3.77m (£2.88m) was £5.13m, against £4.23m.

The tax charge rose from £314,000 to £541,000.

The company is now controlled by Highams, privately-owned textiles group. Last year's bid battle was fought over the exploitation of the company's property interests on either side of the canal. The result of the enquiry into the Barton Dock scheme is expected by Easter.

BZW fund managers back Blue Circle

By Michael Smith

BLUE CIRCLE yesterday increased its stake in Birmid Qualcast, the home products company fighting a £275m takeover offer, as fund managers at Barclays de Zoete Wedd decided to back the cement company's bid.

BZW funds control about 2 per cent of Birmid's equity, although for technical reasons it can only accept Blue Circle's 380p offer for just under 1.5 per cent.

Blue Circle had no precise figures last night for the proportion of Birmid shares it either owns or controls, but it claims "at least 41 per cent." This does not include all the BZW acceptances, some of which will be received today.

BZW is the second institutional shareholder in Birmid to declare its allegiance publicly. Last week M & G, owner of 17 per cent of the equity, indicated it supported Birmid,

Mr Dick Withers Green, responsible for the BZW funds' UK equities, said he and his colleagues had agonised over the decision

"Birmid has done well recently but we are worried about what it can do for an encore. Blue Circle's valuation seems rich enough."

BZW was also influenced by its "significant shareholding" in Blue Circle. It sees the acquisition of Birmid as an important plank in the "essential expansion" of Blue Circle's home products division.

The Prudential, owner of 6 per cent of Birmid, yesterday refused to reveal which side it was backing, although it said a decision had been made. Given the Pru's past record of supporting incumbent managements with strong track records, it is thought unlikely to back Blue Circle.

See Lex

Dale Electric

Shares in Dale Electric, rose 7p to 101p yesterday after the company announced the appointment of Mr Tom McDonald, former chairman of Yorkshire Chemicals, as non-executive chairman.

United Newspapers adds to US trade fairs interests

BY RAYMOND SNODDY

Gralla Publications, a US subsidiary of United Newspapers of the UK, is expanding its interests in trade fairs through the purchase, for an initial $40m (£23m), of the Thalheim Exposition Group of New York.

There is a potential additional payment of $23m over the next five years if profit targets are met.

Thalheim organises six trade shows in New York, including the Premium Incentive Show which recently marked its 50th anniversary. Other fairs include the Variety Merchandise Show, the National Back to School Show and the American Fur Fair.

Mr Frank Rizzo, president and chief executive of Gralla, acquired by United in 1983, said yesterday: "We find trade shows a tremendous growth industry and a highly profitable area."

The Thalheim acquisition was particularly attractive because the shows were close to Gralla's marketplace.

"We are buying proven shows in successful areas with tremendous continuity," Mr Rizzo added.

Gralla publishes 21 trade magazines in 20 different industries and already runs 14 trade shows on subjects such as travel, optical products and kitchens and bathrooms. It has gross revenues of more than $65m a year and profits in the $15m range. Thalheim had profits before tax of $7.7m last year.

Lord Stevens, chairman of United and Gralla Publications said yesterday: "This is a major move into the exhibition and trade show market in the US. Thalheim as a leader in its field is a welcome addition to our trade show activities which are already an integral part of the business of Gralla Publications."

Excess overseas stakes in Rolls-Royce sold

BY PHILIP COGGAN

OVERSEAS SHAREHOLDERS of about 6m shares in Rolls-Royce, the privatised aerospace company, have had their stakes compulsorily sold.

The Government set a limit of 15 per cent on overseas ownership of Rolls-Royce shares; but the limit was breached last year and the company told the excess holders to dispose of their stakes.

Most overseas holders complied; the original excess was about 46m shares. But the final date set for receipt of confirmation of disposal of the shares was February 5. Those shares which had not then been sold were placed yesterday at a price of around 126p. The proceeds of the sale will be despatched to the former shareholders on February 29.

BTP in £10m expansion

BY FIONA THOMPSON

BTP, chemicals group, is to buy Graesser Laboratories, chemicals and bulk pharmaceuticals manufacturer, for £10.3m from Aspro-Nicholas, Slough-based household and medicinal products subsidiary of the US Sara Lee Corporation.

The consideration will be satisfied by the issue of 10.3m convertible cumulative redeemable preference shares. In addition, BTP is to raise approximately £1.3m fresh capital by issuing additional convertible preference shares.

BTP was interested in Graesser's involvement in manufacturing the chemical para-hydroxy benzoic acid (PHBA). It is the basic material used in making a range of preservatives for the cosmetic, toiletry and pharmateutical industries, a constituent in the chemicals made to impregnate thermo-reprographic papers of the "fax" type, and a basic chemical building block in a new type of plastic known as liquid crystal polymers.

Graesser's operating profit in the year ended June 30 1987 was £1m on sales of £5.3m. A little more than half of total turnover was derived from overseas.

TR Technology hearing halted by legal hitch

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE HIGH Court hearing of a move to unfreeze a 27 per cent stake in **TR Technology Investment Trust**, part of the Touche Remnant group, was aborted yesterday when the company objected to the judge who had begun hearing the matter last Friday.

At the company's request Mr Justice Harman disqualified himself from the case which was then restarted before another judge.

Mr Justice Harman said that on Friday he had disclosed that a cousin of his was associated with the management group of TR Technology and had asked whether anyone considered that personal relationship material. Nobody had considered it was.

On Monday the company had asked leave to put in evidence to support its application that he should disqualify himself "on the ground that it was reasonably apprehended that I should not do justice between the parties."

The judge said that the objection to him arose from a family dispute seven or eight years ago. His view was that there was no conceivable justification for any reasonable man to think that a family dispute would have any bearing on a wholly separate matter.

He considered the application unreasonable, but to avoid anyone being left with an unjustified sense of grievance, the case would be transferred from him – "who, apparently, is not to be trusted" – to another judge.

He ordered that TR Technology should pay the legal costs of the other parties involved in the case that had been wasted by its application.

The judge's cousin is Mr David Leroy-Lewis, deputy chairman of Touche Remnant Holdings.

The stake, representing 116m shares beneficially owned by Jersey-based Firmandale Investments, were frozen by the court in December on an application by TR Technology. At the time, TR Technology said it was dissatisfied with responses received under section 212 of the Companies Act.

Re-opening the case before Mr Justice Hoffmann, Mr Michael Crystal, QC, for Firmandale, said that the freezing order had had dramatic consequences.

- The voting rights attached to the 116m shares could not be exercised at an extraordinary meeting of TR Technology which was to consider proposals for a complete reconstruction of the company.
- Firmandale had been deprived of a £321,923 dividend declared by TR Technology in December.
- The syndicate of banks that had lent Firmandale $160m to buy the shares regarded the freezing order as entitling it to call for repayment of the loan.

The application by Firmandale and its adviser, fund management group Berkeley Govett, is one of three seeking the discharge of the order, made ex parte by Mr Justice Warner on December 16 under provisions of the 1985 Companies Act relating to disclosure of the ownership of shares.

Mr Crystal complained that the order had been made until full trial of the matter or further order of the court and not for a short period only.

Firmandale, he said, had been disenfranchised by an order that should not have been made because TR Technology had not made "full and frank disclosure" to Mr Justice Warner.

The second application before the court is by Reserve Assets, Volunteer Investments, Chiswick Trade, Chiswick Time, Francis Robert Mullins and Robert Bruce Hinchcliffe.

The third is by James Hardie Industries, an Australian company, and James Hardie Finance.

The hearing continues today.

AMI gets £142.5m valuation

AMI Healthcare's offer-for-sale is easily the largest new issue to be launched since Black Monday, apart from Eurotunnel, which was something of a special case, writes Philip Coggan.

Of the 23.2m shares on offer, 6.9m are being sold on behalf of the US parent AMI Inc, which will net around £15m. However, before the float, the UK company paid off around £56m in debt to its parent in a complex restructuring.

AMI Healthcare financed the debt repayment through medium term loans. The £31m net proceeds of the current offer will pay off the bulk of those debts, leaving the US group with a 65 per cent stake.

The moves also readjust AMI Healthcare's trading performance. In 1987, the group made operating profits of £16.76m which, after deducting interest payments, resulted in a pre-tax profit of £11.6m (£4.06m).

Allowing for the effects of the restructuring and the offer, AMI says that the pro-forma profits for 1987 were £15m. At the offer price of 215p, that puts the shares on a prospective p/e of just under 15.

The underwritten issue will capitalise the group at £142.5m. A comment will appear with the prospectus when it is published tomorrow.

Philip Coggan reports on the flotation of AMI Healthcare

Health group shapes up for market

IT WOULD be hard to find a more topical new issue than AMI Healthcare, the UK private medical group being floated on the main market by its US parent.

The problems of the National Health Service, both financial and industrial, are making headlines daily; Mrs Edwina Currie, the Junior Health Minister, recently urged people to consider cutting back on holidays and decorating so that they can spend their money on private health.

In the US, private health care is the norm rather than the exception and in a mature and competitive market, AMI's US parent has found growth rather a struggle in recent years. The 1986 results showed big write-offs and the first quarterly loss in the group's 25-year history; last year, the group was the subject of a $1.9bn (£1.1m) bid from Dr Leroy Pesch, a Chicago-based gastroenterologist.

Although Dr Pesch's bid was rebuffed, AMI has remained a potential takeover candidate. Speculation has centred around Mr Sid Bass, an oilman from Fort Worth, who holds 11 per cent and Dr M. Lee Pearce, a physician financier who recently acquired a 5.4 per cent stake.

AMI has responded by selling assets and cutting costs, and the £70m it will raise from the spin-off is a logical extension of that programme. But the company argues that its US problems are irrelevant to growth prospects in the UK.

Gene Burleson, chairman (left) and Marvin Goldberg, chief executive of AMI Healthcare.

Figures show that 10 per cent of the UK population has some form of private health insurance, and the market is growing at 5 per cent a year as more employers offer health schemes to their workers.

AMI moved into the UK in 1970 through the acquisition of a 75 per cent interest in the Harley Street Clinic. It now runs 13 acute care hospitals, of which the Princess Grace in central London is probably the most famous; the combined group has 10 per cent of all UK private acute care beds.

The group offers specialist services in areas such as cardiac surgery – 2,450 of its 53,000 in-patients last year were heart cases – and in vitro fertilisation, with the Park Hospital claiming one of the highest pregnancy success rates in the world.

AMI also owns and operates three psychiatric hospitals and runs an occupational health service. However, acute care is the dominant activity, accounting for 94 per cent of turnover last year.

Patients pay a basic bed occupancy charge plus extra fees dependent on the treatment received. For those 15 per cent of patients without health insurance, the company offers a credit card, AMICARD, and fixed price packages for certain types of medical treatment.

Each hospital is run as a profit centre, subject to tight financial controls at headquarters. It generally takes two years before an acquired or constructed hospital moves into operating profit.

As recently as 1983 and 1984, the company was making a pre-tax loss because of the burden of interest payments to the parent group. But operating profits have increased steadily, from just under £4m in 1983 to £17m in 1987 and once the offer is complete, the group will have borrowings of just £22m.

The prospects for expansion could, of course, be altered dramatically by any government schemes to encourage patients into the private health sector. But even in current conditions, the company believes there is plenty of scope for growth. Much of the country has yet to be covered – its hospitals are largely concentrated in the south-east – and with cash flow of £23m last year, AMI should easily be able to fund its building programme.

KIO buys more BP

The Kuwait Investment Office yesterday continued its purchases of **British Petroleum** shares, raising its stake to 19.24 per cent against 18.91 per cent.

Finance charges put Marler in red midway

BY FIONA THOMPSON

Marler Estates, property group which owns Queen's Park Rangers football club and the Fulham and Chelsea football grounds, yesterday reported a pre-tax loss of £396,640 for the six months to September 29 1987, compared with a profit of £474,932.

The company refused to comment on the figures yesterday.

The loss per share was 4.95p, against earnings per share of 9.33p last time. The interest payable more than doubled to £1.64m, compared with £776,138. The total interest payable was £2.28m, but £633,632 of this was incurred in holding properties for resale or for redevelopment and was charged directly to the cost of each property.

Turnover for the first half rose from £2.34m to £3.24m, of which rents contributed £866,004 (£660,398) and property sales and investments held for resale £2.37m (£1.68m).

Since the end of the period, contracts have been exchanged for the sale of two major properties for £12.2m, against a book value of £8.4m.

Marler's plan to sell QPR is still unresolved. Mr David Thompson, who owns 28 per cent of Marler, last month blocked a £7.5m proposal to sell the club to a private company controlled by Mr David Bulstrode, Marler's chairman. Mr Thompson has still to put forward his alternative proposal and the original £7.5m offer remains on the table.

Delta £6m purchase

BY ANDREW HILL

Delta Group, electrical equipment and engineering company, has bought three machine and instrument companies for £6m cash.

The companies – Kenmac Controls, Kenmac Technology and Marown Engineering – are based in the Isle of Man, share common ownership and together make up the third largest Manx industrial employer.

Kenmac Controls supplies instrument needle valves, manifolds and associated components, Kenmac Technology develops new products for related market areas and Marown Engineering specialises in precision machining of stainless steel, titanium and other hard materials for Kenmac and the aerospace industry.

Kenmac's products will complement the range of stainless steel compression fittings marketed by Wade Couplings, a Delta subsidiary. The three companies are likely to serve the nuclear, corrosive chemical and petrochemical industries.

Delta believes the acquisition – its seventh within a year –will give the group a strong entry into a specialist market sector with good growth potential. Delta will in turn bring strong marketing capabilities to the Isle of Man companies.

The three companies, located in Douglas, employ a workforce of around 130 and have annual sales approaching £4m.

Bullers buys Rentagem

BY HEATHER FARMBROUGH

THE figure Justice at the Old Bailey is one of the sculptures made by the Morris Singer Group, a wholly owned subsidiary of **Rentagem**, which is to be sold to **Bullers**, manufacturer of china and enamel products.

Bullers is paying a total consideration of up to £3.75m for Rentagem. As part of the consideration, Bullens intends to issue 2.3m ordinary shares at 43p.

The Morris Singer Foundry, the world's largest producer of prestige architectural metalwork, made pre–tax profits for the year to December 31 1986 of £225,000.

Bullers' 1987 interim results suffered from a disruption in production and additional revenue costs arising from production reorganisations and improvements. The group is seeking to build up its interests in up-market, high added value consumer products.

Dixons/Wigfalls

Dixons, which is making a £16m cash bid for Sheffield-based **Wigfalls**, has raised its voting interest in its target by a further 0.9 per cent to 37.6 per cent.

British Sugar starts well

The current year had started well for British Sugar, said Mr Ephraim Margulies, chairman and managing director of **S&W Berisford**, the diversified industrial and trading group which owns British Sugar.

Speaking at Berisford's annual meeting yesterday, Mr Margulies said prospects were good for the group, which reported pre-tax profits of £87.6m in the year to end September 1987.

The impact on Berisford of the October crash had been minimal.

Dalkeith pair hold 58.75%

The offer by Mr Clive Richards and Mr Peter Baker to buy **Dalkeith Holdings**, the OTC-traded investment company, closed yesterday with the two investors holding 58.75 per cent of the shares.

Mr Richards and Mr Baker offered 25p per share and received acceptances representing 5.81 per cent of the ordinary share capital.

The duo propose to develop Dalkeith in the field of independent financial advice and services.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div	Total for year	Total last year
Ashtead Gp §	Int	1.1	-	-	-	2
Domino Printing	fin	1.7†	Apr 8	1.35	2.9	2.3
Securicor Gp	fin	0.81	Apr 5	0.74	1.18	1.07
Security Servs	fin	1.51	Apr 5	1.37	2.27	2.06

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♦Unquoted stock. ♥Third market.

UK COMPANY NEWS

Lucas in further £7m purchases

By Richard Tomkins, Midlands Correspondent

Lucas Industries, automotive and aerospace components group, yesterday made its second acquisition announcement in a month. It has bought two companies in the US and one in West Germany for a total of $12m (£6.87m) cash.

The companies are Grason-Stadler of Boston, Massachusetts, manufacturer of audiometric equipment, Datametrics, also of Boston, optical encoders manufacturer and Ebe Elektro-Bau-Elemente, West German maker of switches and solenoids.

All three, with combined annual sales of about $20m, will be incorporated into Lucas's industrial division, broadening the product range of Lucas Industrial Systems. Lucas would not disclose their level of profitability.

The latest acquisitions come four weeks after the company paid $32.3m cash for Lear Siegler Power Equipment.

Lucas said exchange rates had been favourable to the timing of the US acquisitions. But they had mainly been prompted by the group's strategy of expanding its aerospace and industrial divisions

Souza Cruz higher

Souza Cruz, 75 per cent -owned Brazilian subsidiary of BAT Industries, hoisted net profits from Cz 1.11bn to Cz 5.55bn(£36m) in 1987.

Tobacco was again the largest contributor, with profits up from Cz 806m to Cz 2.76bn. Paper and pulp made Cz 2.16bn (Cz 434m), but losses from fruit juice were up sharply from Cz 19m to Cz 1.99bn. Other activities however, added Cz 2.07bn (Cz 167m).

Net profits per share increased from Cz 3.6 to Cz 18.2 and dividend goes up to Cz 9.2 (Cz 2.2).

Further US expansion on the cards at WPP

BY FEONA MCEWAN

WPP, the marketing services group which last year took over the Madison Avenue-based J Walter Thompson Group, was believed last night to be on the brink of sealing the purchase of **Anspach Grossman Portugal**, one of the largest corporate identity design consultancies in the US.

Anspach Grossman Portugal is based in New York and San Francisco and achieved a turnover of more than $6m (£3.45m) in the year to February 28 1987, with adjusted pre-tax profits of more than $2.5m for the same period.

Founded in 1969, the consultancy numbers American Express, Citicorp, Texaco and Quaker Oats among its clients.

The US corporate identity market is generally viewed as one enjoying considerable expansion. Estimates value it at about $250m and growing by at least 20 per cent a year.

The purchase arrangements are likely to be based on a profit-related earnout with a maximum consideration of $36m, although probably only one third of that will be paid upfront, with the remainder conditional on subsequent profits.

WPP, whose shares were badly hit in the October stock market collapse, is likely to fund the deal through a mixture of cash and shares.

If successful, the AGP deal will be the seventh by WPP since the JWT takeover. Last August it announced three deals with a maximum value of £23m involving two non-media advertising companies in the US and a design business in the UK. This was followed by a corporate film and video producer. In December it took over Stewart McColl Associates, the retail design specialist, for a maximum value of £32.5m.

The acquisition of a corporate identity specialist will add another skill to the group's growing design capability in the US. In its stable the group already includes Sidjakov Berman Gomez and Partners, a graphic design house, and Walker Group/CNI, the largest retail design company in the US.

WPP's latest design acquisition comes after British-based design consultancy Michael Peters Group announced plans on Friday for a three-way merger aimed at creating the world's biggest independent design house.

Acquisition boosts Ashtead

BY ANDREW HILL

Ashtead Group, the plant hire company quoted on the Unlisted Securities Market, more than doubled pre-tax profits to £1.41m for the six months to end of October, against £511,000 in the equivalent period.

The figures announced yesterday, which showed turnover up from £2.2m to £6.2m, included the first full contribution from Keyplant, bought from Norwest Holst in April.

That acquisition increased the number of depots operated by Ashtead from nine to 23, expanding the group into the Midlands, the north west and Scotland.

Mr Peter Lewis, Ashtead's chairman, said he was particularly pleased with the revenue growth of over 34 per cent achieved by the original depots. In the second six months, he foresees further growth in the Keyplant depots, where turnover increased by 13 per cent in the first half.

The company restricts itself to the hire of medium-sized plant – small dumper trucks and diggers, for example – without operators.

Mr Lewis believes much of the company's recent success stems from the profit-sharing scheme operated by all depots.

"If you treat staff as grown-ups they make a significantly greater contribution to the business than you could ever imagine," he said yesterday.

Earnings per share increased to 13.7p (6.2p) and an interim dividend of 1.1p net is paid for the first time.

● comment

There are probably around 5,000 small businesses in the plant hire sector and even the largest, Hewden Stuart, has only 7.5 per cent of the market. In 1988 fast-growing Ashtead could well mop up some of the small operators, increasing its 3 per cent share of the £500m market. Last year's acquisition of Keyplant more than doubled the company's size and proved that its profit-share scheme is a very efficient way of increasing turnover and profit margins. The speed of Keyplant's integration has surprised everyone, including Ashtead's directors, and the group now hopes the new depots will match the original outlets' 20 per cent margins by the year-end. If that can be done then the company's prospects for growth look extremely good, while a broad base of over 5,000 customers and specialisation in non-operator medium-sized plant hire would give Ashtead stability in any recession. Pre-tax profits of £2.5m for the full year to April puts the shares, up 5p at 440p yesterday, on a prospective p/e of around 18. That looks expensive but not unattractive for a company with such potential.

Group buys into West Trust

BY NIKKI TAIT

SHARES in **West Trust** were suspended yesterday at 38p ahead of plans for a consortium to acquire a 40 per cent interest.

The company was formerly known as Dura Mill where ex-City journalist, Mr David Burne, bought a controlling interest in 1984 through Jersey-based Pattern Holdings. Dura Mill was once featured in the Guinness book of Records as Britain's smallest public company.

The consortium is represented by Mr Philip Lovegrove, a director of fund management group, Grahams Rintoul (itself a consortium member), and Gartmore Investment Management; Mr Tony Record; chairman of Britannia Security Group; Mr Trevor Brentnall, a solicitor; and Mr Bryan Young, who has experience in the textile industry.

The consortium has formed a company, quaintly named Matahari 154, into which it is injecting £1.2m. Of this £750,000 will be used to buy Associated Spinners Limited, a private company, from West Trust's chairman, Mr Joseph Fitton and his wife. At September 1986 - the latest accounts – ASL had net assets of £650,000 and reported an annual pre-tax loss of £81,000 on sales of £1.74m.

West Trust then proposes to buy the enlarged Matahari – complete with its cash balance of £300,000-plus – in exchange for the issue of 24.19m shares. Of these 13.02m (43.5 per cent of the enlarged company) will be retained by the consortium and the rest will be placed by Manchester Exchange and Investment Bank at 5p apiece, raising £558,500.

The third stage is a rights issue involving 2.304m shares, also at 5p, on a two-for-five basis and underwritten by Manchester Exchange. These shares will only be available to existing shareholders, so the consortium interest will be diluted to about 40 per cent. Subject to shareholders approving the deal, the Takeover Panel is waiving any obligation on the consortium to make a general offer.

The proposals came as West Trust announced a pre-tax loss of £185,265 in the six months to end-September, after an exceptional deficit of £174,302 – including a £124,000 provision for "the dimunition of investment dealing stocks."

Below the line, there is a further £83,807 extraordinary provision for various costs. The losses came in its corporate and financial services operation, "our investments in the Australian market, where the whole investment scene is chaotic, were hit particularly badly by the total collapse in confidence," explains the company.

Mr Burne, who was responsible for these activities has resigned from the board. Under yesterday's scheme, his stake and the 26 per cent held by Australian financial company, Transpacific, would be substantially diluted.

The consortium says it will continue to expand the textile-based activities and will cease or sell the financial services side.

Wyndham chief revives stake in John Williams

BY NIKKI TAIT

SHARES IN **John Williams**, loss-making Welsh steel stockholder and iron foundry group, jumped from 48p to 60p at one stage yesterday, before dropping back to 55p, on news that Mr Brian Brownhill has acquired a 5.1 per cent interest.

Mr Brownhill is chairman of **Wyndham**, another Cardiff-based company with interests in engineering, property investment, financial services and motor franchises. Just under two years ago, Wyndham failed in a £1.9m takeover bid for Williams. Wyndham – which was itself subject to stakebuilding at one stage recently – subsequently sold its shareholding in Williams in November 1986, as did Gellaw Properties, a private company chaired by Mr Brownhill, the following February.

Yesterday, Mr Brownhill stressed that the latest share purchase is in his own name. Elaborating on reasons for the purchase, he commented, "Williams is getting to be a bit of a shell situation and could be interesting." Williams itself had no comment to make beyond confirming that it had been notified of the stake.

Laporte buys Cyantek of US for £2.4m

BY ANDREW HILL

Laporte Industries, the UK-based international chemicals group, has bought Cyantek, chemical division of the Drexler Technology Corporation, for $3.5m (£2.4m) cash.

Cyantek, based in California, is one of the US market leaders in the specialised field of mask-making chemicals for the manufacture of silicon chips. Drexler is selling the division to concentrate on its information technology interests.

Laporte already supplies silicon wafer processing chemicals to the British and European semi-conductor industries. This acquisition provides a base for the introduction of the group's semi-conductor chemical products to the US electronic markets, which are some five times the size of those in Europe. Cyantek mask-making technology will also be introduced into Europe.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims: Mammet, TR City of London Trust
Finals: Company of Designers, Egerton Trust, Willoughby's Consolidated

FUTURE DATES

Interims-	
Alumasc	Feb 19
Automagic	Feb 17
Photo-Me International	Feb 18
Ricardo Consulting Eng	Feb 16
Second Alliance Trust	Feb 12
SelecTV	Feb 18
Throgmorton Dual Trust	Feb 18
Finals-	
Alliance Trust	Mar 11
F & C Enterprise Trust	Feb 18
Fleming Mercantile Investment Trust	Mar 1
McAlpine (Alfred)	Feb 23
Newmarket Co	Feb 18
Sharpe and Fisher	Mar 22
Simon Engineering	Mar 17
Splash Products	Feb 11
Stanleys Metalcraft	Feb 19
Temple Bar Investment Tst	Feb 22
Throgmorton USM Trust	Feb 18

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TECHNOLOGY

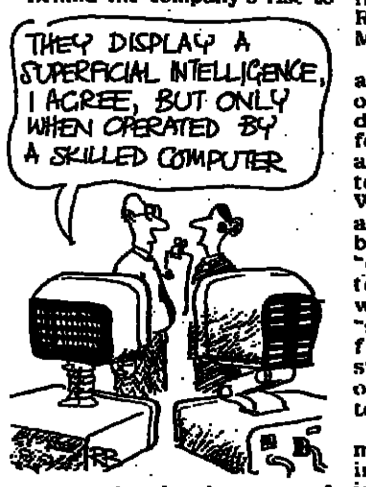
Why pundits see Sun as new champ of the valley

SILICON VALLEY has a new champion. Sun Microsystems, a five-year-old maker of powerful computer workstations, is following in the footsteps of Intel, the inventor of the microprocessor, and Apple Computer, the original personal computer maker, as a company that will play a pivotal role in a major new world-wide technology revolution.

Sun is "hot, hip and happening," say industry analysts. Their exuberance is perhaps influenced by the fact that Sun's powerful workstations are quickly becoming status symbols within their own ranks. The stock market analysts use Sun's workstations to develop and manipulate complex models designed to predict market moves.

Sun's followers are also excited, however, about the company's phenomenal growth rate. In June, Sun expects to end its sixth year with sales of close to $1bn, up from $538m in fiscal 1987.

Behind the company's rise to fame is the development of desk-top workstations that outperform traditional minicomputers for a fraction of the price. Sun's latest offering, introduced in the US last week, pushes back the boundaries of desk-top computer power even further.



The new Sun "Sparc station" is a desk-top supercomputer, a machine that packs the equivalent computing power of seven Digital Equipment VAX minicomputers into a unit not much bigger than the average personal computer.

It sells for $18,900, far less than the cost of just one minicomputer.

Who needs so much computer power on their desk? Sun expects to find plenty of takers in the computer-aided design and engineering world where engineers currently share access to mainframe and supercomputers. Computer aided software engineering, simulation, image processing and animation are all computer intensive applications that may also be transferred from larger systems to the desk top.

Ultimately, however, Sun sees its "Sparc Station" as a node on a computer network linking hundreds of workstations with mini and mainframe computers.

Old guard begins to feel the heat

Sun is the "grandfather of a new generation of avant-garde computer vendors that is challenging the established order of the computer industry," says John McCarthy, a computer industry analyst at Forrester Research Inc of Cambridge, Massachusetts.

He predicts a major shift away from the traditional order of personal computers on the desk top; from minicomputers for the office and mainframes at corporate headquarters, towards distributed computing. What is emerging, say industry analysts, is a new model for business computing in which "clients" using powerful desk-top personal computers or workstations are linked to "servers" that might be mainframe databases, optical file storage systems, minicomputers or in some cases supercomputers.

The change represents "the most fundamental restructuring in the history of the computer industry," say analysts at Montgomery Securities, a leading West Coast investment banking company.

Unlike most current computer networks, the client/server systems will not rely upon a central computer to provide most of the computing power. Instead, applications will be run on individual client machines while the server, or servers, maintain secure databases and handle routine batch work such as a company's payroll.

A major appeal of this new computer architecture is that it allows individual computer users, who have grown accustomed to choosing their own applications programs and controlling their own data files, using stand-alone personal computers, to maintain a degree of independence.

The corporate information system managers will, however, remain firmly in charge of data *management and security, thus* satisfying two previously opposed groups.

"New wave" computer vendors, led by Sun Microsystems will challenge the "old guard" of the computer industry as large corporations increasingly adopt "client/server" computing, says McCarthy.

"Companies that cling to their shared computing heritage and do not provide users with viable client/server computing tools will be left behind by the likes of Sun, Microsoft, Novell, Tandem and Oracle," he predicts. Among the losers, the Forrester researcher says, will be Wang, Prime, Honeywell Bull, Unisys and Data General.

These companies, he explains, have failed to take the first steps toward distributed computing by evolving their minicomputer products into departmental computers serving groups of personal computers on a local area network.

As client/server computing catches on, sales of "client" computers, which include personal computers and workstations, should boom. High performance personal computer sales are expected to grow at a rate of 20 to 30 per cent per year over the next five years, while sales of more powerful workstations are set on an even higher growth path of close to 40 per cent annually.

Meanwhile, the market for "server" computers is expected to remain flat. The desk-top computers will relieve the mainframe and minicomputers of many of the computational tasks they currently handle, McCarthy explains.

This will give existing central computers a new lease of life and delay replacement purchases, he believes.

Standards battle before the dawn

Distributed computing will not happen overnight.

In fact it might not happen at all unless the computer industry overcomes its penchant for producing dozens of different kinds of proprietary computers that cannot "talk" to each other.

Software and communications standards must be developed that will enable computer users to swop data and applications programs between all sorts of computers. Efforts to establish such standards are *under way on several fronts* but international and inter-company rivalries are not helping.

A major row is currently brewing in the US over AT&T's efforts to establish its Unix operating system as a standard. Although an estimated five per cent of all computers in the US currently run Unix, there are several different versions of the operating system program, and applications designed for one cannot be used with another.

Last year, AT&T announced plans to develop a single version of Unix for use on all types of computers in conjunction with Sun Microsystems. At the time, there was little reaction from the computer industry, perhaps because AT&T chose October 19, the day of the stock market crash, to unveil its plans.

But when AT&T revealed last month that it has plans to buy a stake in Sun Microsystems, competitors woke up to the full implications of the companies' team work on Unix.

Fearing that Sun might gain an inside track on the "new and improved" Unix and that the program might be designed to work most efficiently on Sun's own computers, other Unix licensees raised objections.

EAGLE EYE

by Louise Kehoe

Digital Equipment, which has recently endorsed Unix as an alternative to its proprietary operating system, Apollo, Hewlett-Packard, Tandem, Prime, Motorola MIPs Computer and at least three other US computer companies have voiced their concerns.

Despite efforts by AT&T to calm nerves, the ad hoc industry group remains unhappy. There has been talk of a counter effort to develop a common standard for Unix. If that happens, however, it could mean that two versions of the program are developed simultaneously, which would not solve the original problem.

Software stars already sparkle

On a more positive note, software stars Microsoft, Ashton-Tate and Sybase recently launched a jointly developed product that brings the implementation of "new wave" computing a big step closer. SQL Server is a relational database program designed to run on a network of personal computers and workstations.

A database is essentially an electronic filing cabinet, and the database management system program keeps tabs on where everything is. Traditional mini and mainframe-based database management systems typically keep track of huge files of corporate data.

On personal computers, however, the database management system has become a sort of decision support tool, a way for users to check facts and organise information. When the personal computer is linked on a network with mini or mainframe computers, both types of database management systems are needed.

What the Ashton-Tate/Microsoft/Sybase team has done is to combine the best of both worlds, in this case the personal computer application dBASE, with Sybase's network oriented program.

The SQL Server program is designed to take advantage of "client/server" computer systems. It splits the functions of a database management system into a "front end" component where data is manipulated by the user on his workstation or personal computer, and a "back end" which handles the storage and retrieval of data on the network server.

Two-year protector of the UK environment

Clive Cookson examines David Pounder's secondment from ICI

DAVID POUNDER has just broken 30 years of continuous service with ICI, the giant UK chemicals group, by taking up a two-year secondment to the civil service. He will run the Government's new Environmental Protection Technology scheme, spending about £2m a year to promote innovation in pollution control.

Pounder was attracted to the job as soon as he saw the Department of the Environment's advertisement in the magazine New Scientist last October. "Throughout my ICI career I've expected to have a new challenge every two or three years," he says, "and for the last 15 years I've sought non-standard jobs – jobs that widen my understanding of the world."

Most recently he has been finding new business opportunities for ICI in environmental protection, particularly in controlling acid rain and cleaning up beaches polluted with sewage.

"I couldn't see what the obvious next step would be within ICI," says Pounder – a lean and enthusiastic 48-year-old. But he hopes his experience of public policy-making will qualify him for an interesting management job when he returns to the company.

After his first few days with the Environment Department, Pounder says he finds civil service attitudes remarkably flexible. His first achievement was to persuade the Department to change the official abbreviation for the Environmental Protection Technology scheme from EPT to E.P.T (he feels surprisingly strongly about those dots, perhaps fearing people will describe him as being in EPT). Then he successfully ordered a round table for meetings in his office instead of the Department's standard rectangular table.

More important, Pounder is pleased with the team of four experts, based in London and at the Warren Spring Laboratory in Stevenage, which will be helping him run the scheme.

E.P.T's immediate agenda will be decided in the spring. Pounder realises that £2m a year is not enough to promote all "clean technology", so he and his colleagues will choose a small number of priority areas where government financial support can make a significant impact.

David Pounder: "I couldn't see what the obvious next step would be within ICI."

"I want to pilot the scheme by announcing very limited priority areas at first, so that we can do a really good job there," Pounder says. "We will be going out to stimulate innovation and not just sitting here waiting to sift through the paperwork."

When the priority areas are selected, companies will be invited to send in proposals for research and development. The Government will provide 25 per cent funding for single projects and 50 per cent funding for collaborative ventures involving commercial and academic laboratories.

Pounder is anxious not to prejudge the initial choice of priority areas. He points out that when he joined ICI as a laboratory assistant in 1958 only two forms of pollution were causing widespread concern in Britain: smoke in the air and industrial waste in rivers. Now people are worried about a long list of serious environmental problems: pesticides, the greenhouse effect, destruction of the ozone layer, chemical and nuclear wastes, acid rain and so on.

When pressed to say what form of pollution most concerns him, Pounder mentions the old and still partially unsolved problem of smoke. "Throughout my life I've complained about smoke in one form or another, whether it was smoke from an oxyacetylene plant in Runcorn 20 years ago, a neighbour's smoky bonfire, or someone refusing to put out a cigarette in a non-smoking train compartment."

Pounder is also a strong supporter of the Clean Britain's Beaches campaign. "I've recently been very surprised to discover the primitive arrangements by which sewage is discharged into the sea." But he says the greatest long-term environmental threat must be change in the world's climate caused by industrial activity.

It seems clear that obvious large-scale pollution problems such as acid rain and nuclear waste will not be priorities for E.P.T, since these are already the subject of major international research programmes. The scheme will concentrate on smaller and better defined fields where more effective technology is particularly needed.

APPOINTMENTS

New president for Wilkinson Sword

Wilkinson Sword Group Limited has appointed **Mr Alan Hancock** as president of the WILKINSON SWORD DIVISION, reporting to group chairman **Mr Alan Fletcher**. Mr Fletcher is also executive vice president of Swedish Match consumer division, the group's parent company. Mr Hancock was chief executive of Nolton, and prior to that chief executive of Lin Pac's consumer products division. He also held senior marketing appointments with Gillette Industries.

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PICKWICK GROUP has appointed **Mr Richard Clarke** to the board as finance director. He was group chief finance executive. The company says his appointment will allow **Mr Ivor Schlosberg**, Pickwick's chief executive, to concentrate on future planning. Before joining Pickwick last month Mr Clarke was financial director of Eurotherm.

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Mr Tony Dorey has been appointed managing director of the MOLYNEUX AND GANTRAIL GROUP, Gloucester. He was sales and marketing director of Ransomes and Rapier.

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SPHERE DRAKE INSURANCE GROUP has appointed **Mr John C. Head III** to the board, and to the board of principal subsidiary, Sphere Drake Insurance. He is an investment banker specialising in the insurance industry and was influential in bringing together the investor group (including himself) that recently completed the acquisition of the group.

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MICHELSONS, part of the Cadogan Oakley Organisation, has appointed **Mr Norman Hutchings** as export director, and **Mr Robert Moore** as director responsible for the shirt division.

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JOHN SISK AND SON has promoted the following to the board: **Mr Jeremy Browne**, marketing manager, becomes marketing director; **Mr John Butler**, chief estimator, becomes estimating director; and **Mr Paul Wilson**, commercial manager, becomes commercial director.

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AUSTIN TRUMANNS GROUP, Manchester, has appointed **Mr Don Hollyoak** as managing director of Austin Trumanns Distribution, which is the holding company for the group's stockholding activities.

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Former European financial operations director of Chrysler International, **Mr Joe Daly**, has been appointed finance director of APA GROUP, Wembley.

Dr Peter Shelly has been appointed managing director of BONAR BRENTFORD ELECTRIC. He was chief engineer of De Beers Industrial Diamonds, and then consultant to a group restructuring its engineering assets in India. **Mr Eddie Baxter** has been appointed sales director and **Mr David Neasham** becomes technical director. Mr Barter joins from NEI Peebles, where he was commercial director; Mr Neasham was technical manager of Thorn EMI Eelectronics, Rugeley. **Mr Rowland Howard** has been promoted from chief accountant to finance director, and **Mr Gerry Stanford** from works manager to works director.

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ISTEL has formed a subsidiary company, ISTEL Motor industry Services, and appointed **Mr Peter Merchant** as managing director. He is on the main board.

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Mr John Atkinson is to be managing director of ASL, a new company set up to develop and market LaserWatch, a compliance management and surveillance system. A co-founder director is **Mr Clive Hardcastle**.

*

GIBBS HARTLEY COOPER has formed Gibbs Hartley Cooper Treaty to handle reinsurance business. **Mr Paul Cazeaux** has been appointed managing director and **Mr Paul Bumpstead** deputy managing director of the new subsidiary.

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Mr Barry Milner-Smith has been appointed director and **Mr Michael Lowe** an associate director of BUTLER TILL, sterling broking part of Butler Holdings.

*

Mr Brian J. Dix, who joined the board of RACAL-CHUBB in December 1987, has been appointed chairman of Chubb Alarms, and Chubb Electronics, and a director of the West German subsidiary, Hormann Sicherheitstechnik. **Mr Richard Fernie**, formerly director in charge of Chubb Alarms, is promoted to managing director of the company.

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Mr T.S. Corrigan has been appointed a non-executive director of McNICHOLAS CONSTRUCTION COMPANY. He is chairman of Havelock Europa, Rex Stewart & Associates, and other companies. He is chairman of the Post Office Users National Council.

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Mr Clive Syddall has been appointed managing director of ANTELOPE FILMS. He replaces Ms Jane Wellesley who is leaving to join Warner Sisters.

• FT LAW REPORTS

No liability for loading damage

THE SINGER COMPANY (UK) LTD AND ANOTHER v TEES AND HARTLEPOOL PORT AUTHORITY

Queen's Bench Division (Commercial Court): Mr Justice Steyn: February 1 1988

THE RECEIVER of goods for export is exempt from liability for their damage if the exporter, though not in any contractual relationship with him, has expressly or impliedly authorised its freight forwarder, as bailee, to make a sub-bailment of the goods to the receiver on contractual terms which exempt him from liability in the relevant circumstances.

Mr Justice Steyn so held when dismissing a damages claim by the Singer company (UK) Ltd and Singer Do Brazil Industria E Commercio Ltda against the Tees and Hartlepool Port Authority, in respect of damaged goods.

HIS LORDSHIP said that in 1981 Singer operations in the UK were being shut down. Plant and equipment were being transported to its subsidiary in Brazil.

Singer (UK) employed J.H. Bachman (UK) Ltd, international freight forwarders, to crate and deliver machines to UK ports.

By agreement between Singer(UK) and Bachman, Bachman crated, carried by road and delivered a machine to the Authority for loading on the Serra Dourada at Tees Dock, Middlesbrough.

The Authority took delivery and loading was performed by its employees. In loading, the crate was badly damaged. The cost of repair was £15,397. Singer sued the Authority in negligence and in bailment.

The Authority denied negligence and, in respect of the bailment claim, positively asserted that its employees were not negligent. It also relied on an exception clause and a limitation clause in its standard conditions.

Its case was that loading was done pursuant to an agreement with Bachman, evidenced by a standard shipping note dated October 1 1981.

The note covered the machine in question. It named Singer (UK) as the exporter, Bachman as the freight forwarder and the Authority as the receiving authority.

It stated: "To the receiving authority ... for shipment ... subject to your published ... conditions (including those as to liability)."

Condition 24 of the Authority's General Conditions provided: "The Authority will not be responsible for ... damage ... except for ... damage arising from the proven negligence of their servants ..."

Condition 26 read: "...total liability ... for ... damage shall be limited to ... £800 per tonne ... of the gross weight of the whole consignment."

The Authority relied on both provisions.

Mr Justice Webster found that Singer had failed to prove negligence. With regard to bailment, he found that the Authority had disproved negligence. He gave judgment for the Authority.

The Court of Appeal did not disturb his finding that Singer had failed to prove negligence, but it ruled that the finding that the Authority had disproved negligence was not justified on the evidence. It allowed the appeal and directed that the case should come before another judge to consider the remaining issues.

The question was whether the Authority could rely on its General Conditions.

The shipping note contained the terms of the contract between Bachman and the Authority. It recorded that the Authority would receive the goods subject to its published regulations and conditions "including those as to liability".

The Authority submitted that Bachman acted as Singer's agent and, in particular, that it so acted in concluding the contract evidenced by the shipping note.

In essence Singer had been looking for a complete package of services, leaving it to Bachman to subcontract when necessary. The shipping note recorded that Bachman would be responsible to the Authority for port charges. And it contained a warranty by Bachman to the Authority of the accuracy of the description of the goods.

The objective features of the transaction led to the conclusion that Bachman acted as principal.

Given the ruling that Bachman did not act as agent, the Port Authority was bound to accept that there was no contract between Singer and the Authority.

But the Authority, as sub-bailee, asserted that there was a special rule applicable to bailments, which entitled it to rely on its conditions against Singer as bailor, despite the interposition of Bachman as bailee.

The submission was that a bailor of goods was bound by the terms of any sub-bailment which he had expressly or impliedly authorised the bailee to enter into: the bailor could not, despite the lack of contractual relationship, disregard those terms against the sub-bailee.

The foundation of that submission was a careful *obiter dictum* of Lord Denning MR in *Morris v CW Martin [1966] 1 QB 716, 729, 730*. He concluded that the bailor was bound by the sub-bailee's conditions if he had expressly or impliedly consented to the bailee making a sub-bailment containing those conditions, but not otherwise.

No authorities on bailment were cited which cast any doubt on Lord Denning's observations. There appeared to have been no academic criticism of his view.

It was endorsed and extended in *Johnson Matthey v Constantine Terminals [1976] 2 Lloyd's Rep 215*, where Mr Justice Donaldson was satisfied that a bailor was bound by the terms on which he authorised the bailee to contract with the sub-bailee. He went further and ruled that a bailor was bound by any terms which constituted the consideration on which the sub-bailee accepted the goods, irrespective of whether the intermediate party was authorised to enter into a transaction on those goods.

For the purposes of the present case the correctness of Lord Denning's views as expressed in *Morris v Martin* was established. That just and sensible principle would be applied.

It might be sufficient if the bailee had ostensible authority to create a sub-bailment on terms which included exception clauses and limitation provisions. But the court was satisfied that, by entrusting to Bachman the package of services involving the crating and delivering of the machines to the ship, Singer (UK) conferred implied authority on it to create a sub-bailment on terms which included the Authority's General Conditions.

On a proper construction of the conditions, the Authority was entitled to rely on condition 24 or alternatively on condition 26.

The question was whether conditions 24 and 26 satisfied the statutory criterion of reasonableness under the Unfair Contract Terms Act 1977. In order to be valid they must pass the general test of reasonableness under section 2(2) and 3(2) of the Act.

The criteria set out in the statutory guidelines were relevant factors, although the weight to be attached to them must be judged in the light of the fact that one was dealing with a commercial as opposed to a consumer transaction. The burden of establishing the requirement of reasonableness, judged at the time of conclusion of the contract must be borne by the Authority – section 11(5).

On the evidence it was found that the Port Authority had minimal knowledge of "booked" cargoes; had little control over the nature of the cargoes to be loaded; and was frequently confronted with the problem of loading cargoes which were badly crated and badly described or marked.

It seemed that the bargaining positions of the parties were relatively equal. Singer was not bound to use the Authority's services, but it would have been inconvenient not to do so. The conditions were approved by the Authority's board of directors, on which users of the port were well-represented. The relevant risks were insurable by both parties.

The Authority was, in the daily routine of the port, confronted with practical problems which made it reasonable to stipulate for some form of exception. It did not attempt to exclude liability for negligence altogether, but merely stipulated for a reversal of the burden of proof.

The Authority had established the reasonableness of condition 24. It afforded a complete defence.

With regard to condition 26, bearing in mind that the Authority usually had minimum knowledge of the nature of the goods and no knowledge of their value, a limitation clause was in principle not unreasonable. Had the court found against the Authority on condition 24, it would have applied the limitation in condition 26 in its favour.

It followed that Singer's claim failed.

For Singer: Andrew Popplewell (Clyde & Co).

For the Port Authority: Peter Fox QC and Richard Craven (Jacksons Monk & Rose, Middlesbrough).

By Rachel Davies
Barrister

COMMODITIES AND AGRICULTURE

Steven Butler on the implications of the Financial Sevices Act for the Brent market

Oil traders braced for the onset of regulation

THE HUGE Brent market for North Sea crude oil is this week about to catch its first whiff of regulation, and no one knows yet just how strong or malodorous it will be.

The big oil companies that have dominated the market for North Sea oil have for nearly a decade enjoyed a remarkable degree of freedom – remarkable in that a $100bn a year trading system, which provides a key indicator of the world's free market price for the most important energy resource, has been operating as a chummy, very private fraternity.

This week, when the Securities and Investments Board issues a circular to the industry on the implications of the Financial Services Act, due to take effect on April 1, the oil trading community will have the first official indication of how their cozy world may change. But it might not be the last, because some observers believe that creeping regulation could come as the Government gains a better grasp of the complex and sometimes arcane world of oil trading.

The Brent market, named for a blend of crudes from a field in the North Sea, was not necessarily a target for the FSA, but appears rather to have been caught up in the Act's sweeping definitions of investment activity.

It could be argued, and indeed is argued by Brent market participants, that unregulated oil trading has served both the private interests of traders and the public interest in providing an orderly market.

The market is unorganised, although contracts for forward delivery of oil have been standardised over the years, and it consists of a series of private, unreported deals among players scattered across the globe. The market is used widely for speculative and hedging purposes, with 15 to 20 contracts written for each of the 43 cargoes of oil delivered each month.

The collapse of oil prices in February 1986 caused a series of defaults in the market that wreaked temporary havoc, but the market eventually recovered and regained liquidity with the entry of the so-called "Wall Street Refiners," the big New York commodity houses, and the increased involvement of the Japanese trading houses.

Given the huge risks involved in even a single contract for Brent oil, currently worth about $10m, combined with the lack of any margin or capital requirements by the participants, the market has been been amazingly trouble free. The steep slide of crude oil prices in 1986 would have given a severe case of indigestion to any market, no matter how tightly regulated.

The sheer size of the huge oil companies that dominate the market, including the likes of BP, Shell, Mobil, Exxon, and Conoco, may be one reason why the market can weather a severe storm. The unit of trade is a 600,000-barrel cargo of oil, and the risks exclude all but specialists with deep pockets.

The several dozen or so players in the market – no one knows the precise number – trade with partners whose credit-worthiness they accept, or they ask for a bank letter of credit. This makes the risk of non-performance – a trader could refuse to take delivery to avoid a huge loss – more of a potential problem than outright default.

But even that doesn't happen very often, because, as a trader for one of the major oil companies puts it, "no one wants to cross a trading partner if he wants to keep trading."

Most people in the industry expect the circular from the SIB this week to be a relatively mild document, advising traders that under the terms of the FSA they must seek authorisation as registered traders with the appropriate authorities. For the big oil companies this causes little difficulty. They are all public companies and are used to a variety of disclosure requirements.

Some oil trading specialists may shrink from the idea of opening their books to government regulators, but they can avoid this simply by moving offshore and conducting their business through a telex machine from afar, rather than in London.

If this is all that awaits oil traders, there would be little concern that their comfortable world was about to change. But other clouds are looming.

For one thing, the lack of a domicile for the market, even though it deals in a British commodity, has left traders vulnerable to regulation by the long arm of the US judiciary. The industry was rather shocked last August when Transnor, a Bermuda-based oil trading company, succeeded in winning jurisdiction in US courts in an anti-trust commodities suit against BP, Shell, Conoco, and Exxon, on the grounds that about half of the traders and brokers in the Brent market are US-based.

The issue of whether Brent is a futures or a forward market was conceded rather early. While it technically is a forward market, since contracts call for delivery at a future date, it is used for hedging and speculation in the same manner that traders use futures contracts. This makes traders potentially subject to US legislation governing commodities futures.

The market received yet another jolt in January, when one trader cornered the market by buying and taking delivery on over 40 of the 43 available cargoes. It is not clear yet who precisely lost or made money on the operation, except traders who were late in catching on to what was happening.

But the mere fact that one trader with $500m in his pocket can corner the market is disturbing. Even if Arab interests were not behind the squeeze in this case, as had been rumoured, the possibilities for manipulating the market have been proven and raise serious questions about energy security, let alone fair trading.

Precisely how serious these issues are is hard to gauge. The US judicial claim to have jurisdiction over the market may yet be overturned in another decision. And some traders argue that all futures and forward markets can experience a squeeze as contract dates approach, thus driving up the prices of short dated contracts. The Brent market may be no worse off than other markets.

The law of inertia will most likely apply in the Brent market until something kicks it off course. The document this week from the SIB has that potential, particularly should the major oil companies conclude that it is only the thin edge of a regulatory wedge that might lead at a later date to more rules, including possible specifications on minimum capital requirements for traders.

That sort of regulation could potentially drive some traders from the market because it would raise the cost of doing business, and any significant loss of liquidity would be a worry.

It is partially with this in mind that First Chicago, the Chicago-based bank, is now finalising proposals for a clearing house for the market, on the theory that participants will find formalised self-regulation more palatable than regulation imposed by the Government. None of the major oil companies is believed to endorse the proposal and some are outright opposed.

If change does come, it is likely to be slow, if only because the Government, while concerned about risks in the market, will also recognise that Brent oil traders have been remarkably successful at taking care of their own.

PARTICIPANTS IN 15-DAY BRENT OIL MARKET

	1987*	1986*	1985*
Oil trade specialists	29%	29%	43%
Japanese trade houses	14%	18%	9%
New York commodity houses	17%	19%	1%
Oil companies	40%	34%	47%
Total deals	2,031	1,399	1,568

*4th quarter figures. Source: Petroleum Argus

Amax keeps firm hold on molybdenum market

BY KENNETH GOODING, MINING CORRESPONDENT

AMAX, THE US natural resources group, is not slackening its grip on the molybdenum market even though it has decided to reduce its production capacity by about one third. Far from it.

The company will still be in a position to exert strong influence on the price of "moly", holding it at about $3 a lb, traders and analysts have suggested.

At that level Amax, which is the world's lowest-cost primary producer with production costs in the region of $2 a lb, can be profitable while "making it very uncomfortable for other primary producers," one analyst pointed out.

For example, the price would have to be substantially higher than $3 a lb to encourage Cyprus Minerals, Amax's major rival, to increase production at its Thompson Creek, Idaho, molybdenum mine.

The current level is still attractive, however, to those companies which produce molybdenum as a by-product or as a co-product.

Chief among these is Codelco (Corporation Nacional del Cobre), the state-owned Chilean group which is among the world's biggest producers of copper.

Amax has good reason to beware of high prices. In 1979-80 it was making $1m a day from molybdenum, which at that time was being described as "grey gold".

The price soared to more than $25 a lb. Exploration was stepped up. New mines were started. Companies for which the metal was a by-product took molybdenum processing plant out of mothballs.

With the recession came the inevitable crash in prices. The price tumbled to under $3 a lb and enough stock to satisfy demand for a full year was left overhanging the market.

Amax expects the imbalance to continue for several more years. But it is taking steps which it hopes will gradually whittle away the inventory.

The company estimates that non-socialist world demand for the metal this year will be about 167m lbs, the same as in 1987, and that production will be about 157m lbs.

Of total production, 117m lbs will be from co-production and bi-production, leaving only about 40m from the primary producers, according to Amax.

The company reckons it will produce only 18m lbs this year but expects to sell about 31m lbs by mopping up cheap concentrates from other sources for its down-stream molybdenum operations and thus helping to stabilise the market.

Cyprus Minerals' Thompson Creek mine is expected to produce only 3.5m lbs this year, compared with7.5m in 1987 and its 20m lbs capacity. Cyprus says at the current level it is no more expensive to keep Thompson Creek operating than to shut it down.

Molybdenum is a metallic element which has important applications in both metallurgy and chemistry. The largest consumers, taking about 43 per cent, are makers of alloy steels and irons where molybdenum enhances strength at room and elevated temperatures.

Another 23 per cent of consumption is by the stainless steel industry.

Molybdenum is also used to improve toughness, wear resistance and corrosion resistance in a variety of corrosion-inhibiting pigments; and is an important ingredient of some flame and smoke retardants and lubricants.

Products incorporating molybdenum are used in drilling rigs (currently a very depressed market), atomic reactors, rockets, Arctic pipelines and other items where the metal needs to resist extremes of cold or heat.

Amax owns three primary molybdenum mines: the underground Henderson mine near Empire, Colorado; the open pit and underground Climax mine near Leadville, Colorado; and the open pit Kitsault mine on the west coast of British Columbia, Canada.

The Climax and Henderson mines each have a production capacity of about 40m lbs a year of molybdenum in concentrates and Kitsault a 10m lbs capacity.

Operations at Kitsault have been shut down since November 1982. Open pit operations at Climax were suspended in August 1986 and underground mining suspended in March last year.

Amax is to close permanently both Kitsault and the underground operations at Climax, taking a $385m charge against 1987 earnings to cover the cost.

According to the company, this will reduce capacity by about 35m lbs a year to 60m lbs.

The open pit operations at Climax can quickly be brought back on stream, should market conditions ever warrant it.

"This reflects our strategy of resizing the business to match industry fundamentals and to recognise Amax's role as a swing producer", Mr Allen Born, the chief executive, told analysts.

He expects the smaller moly business to at least break even in 1988 and it "should even make some money" with some luck on pricing and volume.

Amax and Cyprus recently raised the producer price to $3.35 but it is being traded at $3.20.

Discussing the molybdenum business recently, Mr Born said: "We have overcapacity where there are too many producers in the marketplace and not enough consumers.

"That will have to come into equilibrium before we can really see any growth potential in molybdenum.

"When it does happen, Amax is well positioned because we have the lowest cost primary operation and also because, among moly producers, we have the largest percentage of our output going into value-added speciality chemical products that are used in the manufacture of catalysts, lubricants, smoke suppressants and corrosion inhibitors.

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,290-2,330 (same).

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 5.00-5.20 (5.10-5.30).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 4.00-4.10 (3.70-4.10), sticks 4.00-4.10 (3.70-4.10).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.00-7.10 (7.10-7.25).

MERCURY: European free market, min 99.99 per cent, $ per 76 lb flask, in warehouse, 305-315 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.18-3.23 (3.18-3.25).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 9.30-9.50 (9.10-9.30).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit (10 kgs) WO_3, cif, 49-58 (same).

VANADIUM: European free market, min 98 per cent, V_2O_5, cif, 2.80-2.90 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 16.65 (same).

Farmers' leader attacks government price cuts policy

BY BRIDGET BLOOM

THE BRITISH Government's current insistence on cutting farm prices as a means of reforming the European Community's Common Agricultural Policy is likely to discriminate against British farmers and will exacerbate the recent decline in their incomes, Mr Simon Gourlay, President of the National Farmers' Union, claimed yesterday.

Mr Gourlay, who was addressing the annual general meeting of the NFU, said that the Government's belief that the only sure way to cut spending on the CAP was to have big cuts in cereal prices would end in measures like the co-responsibility levy imposed on cereal producers which would be divisive and distortive, and would discriminate against the UK.

Mr Gourlay said that while the NFU accepted that the EC's surplus food production, and thus its high farm spending, should be curbed, it believed the right way to do this was through taking land out of agricultural production in so-called set-aside schemes.

"Big price cuts will not cut surpluses quickly – but they would drive many farmers into bankruptcy," Mr Gourlay said. "Only if recession became so deep that the land itself was left derelict would production start to fall." Any policies which led in that direction would be fought "tooth and nail", he said.

Mr Gourlay also called for a "major devaluation" of the green pound – the artificial rate at which EC farm prices are translated into sterling - to make British farmers more competitive with their EC counterparts.

Mr John MacGregor, the Minister of Agriculture, who was addressing the union's AGM for the first time, acknowledged that farmers' incomes were declining, evinced sympathy for the farmers and declared that he disliked the co-responsibility levy as much as they did.

However,it was a reality of the EC that most member states liked the levy and it was "bound to play some part" in solutions now being sought to curb farm spending before it "blew the whole Community's budget apart."

While both Mr MacGregor and the NFU President were airing familiar themes, they did so in an atmosphere of goodwill and even humour far removed from the parallel occasion last year when the then Agriculture Minister, Mr Michael Jopling was threatened with a vote of no confidence from the farmers.

Mr MacGregor reminded the farmers that support for them under the CAP had increased 28 per cent in real terms since 1979-80 and that agriculture received 17 times more aid from the public purse than industry.

He added that even though British cereal growers had succeeded in increasing exports "in the last marketing year the taxpayer met 75 per cent of the cost of those exports" through publicly financed export subsidies. The Minister's use of statistics later provoked a reply from Mr Gourlay, who declared that while every farmer and farm worker cost the taxpayer approximately £3,500 to support each year, the equivalent cost for a British Rail worker was £4,500 and for a British Coal worker £5,300.

Amsterdam drops gold relaunch plan

BY LAURA RAUN IN AMSTERDAM

AMSTERDAM'S MORIBUND gold futures market, which ceased trading last December, will resume business only if enough market makers can be found.

Mr R.F. Sandelowsky, director of the Financial Futures Market, parent market of the gold futures exchange, said yesterday that he would try to persuade more firms to make markets in the futures contracts. But he refused to be drawn on whether he expected to succeed in attracting more financial institutions, from inside or outside The Netherlands.

The gold futures market opened initially in May 1985 with a contract based on 500 grams of gold and priced in Dutch guilders. But it attracted such a modest amount of interest that the exchange never published volume figures. From the beginning organisers had planned eventually to add a second contract, based on 100 troy ounces of gold and priced in us dollars to attract more foreign investors.

Those are the contract specifications used on the New York commodity exchange, the world's leading gold futures exchange.

But Mr Sandelowsky explained that market organisers wanted more than the five market makers operating until last December and none were forthcoming. As a result the scheduled reopening of the gold futures market this month has been postponed indefinitely.

WORLD COMMODITIES PRICES

LONDON MARKETS

THE LONDON Metal Exchange lead market continued to be overshadowed by US producer price cuts and seasonal factors. The cash price continued the recent downtrend with a £2 fall to £354.50 a tonne – the lowest level for several weeks and £48 below the January 22 peak. Nickel prices were strong, the cash position's $146 rise taking it to $8,146 a tonne and wiping out the sharp fall of the preceding three trading days. Dealers attributed the advance to sporadic covering against short positions and some fresh buying. Cocoa prices were down in line with the easier tone in New York and dealers reported light hedging sales against renewed purchases of West African beans. Sentiment was affected by reports that the Ivory Coast was heading for a record crop, possibly of as much as 620,000 tonnes, they added. The purchase of another 3,000 tonnes of beans by the ICCO buffer stock failed to halt the price decline.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.50-5.57z	-0.09
Brent Blend	$16.40-6.50	-0.10
W.T.I.(1 pm est)	$17.48-7.53z	+0.03
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$162-165	+2
Gas Oil (Soviet)	$138-139	-2
Heavy Fuel Oil	$72-74	
Naphtha	$152-155	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$439.75	-4.00
Silver (per troy oz)♣	626c	-9
Platinum (per troy oz)	$450.50	-4.50
Palladium (per troy oz)	$119.00	+0.25
Aluminium (free market)	$2075	+55
Copper (US Producer)	105¾-113c	
Lead (US Producer)	37.50c	-2.50
Nickel (free market)	375c	+5
Tin (European free market)	£3885	+5
Tin (Kuala Lumpur market)	17.18r	+0.01
Tin (New York)	313.00c	
Zinc (Euro. Prod. Price)	$890	
Zinc (US Prime Western)	45.375c	+0.625
Cattle (live weight)†	106.79p	+2.55*
Sheep (dead weight)†	154.98p	+3.00*
Pigs (live weight)†	64.25p	-0.27*
London daily sugar (raw)	$213.60w	-13.40
London daily sugar (white)	$223.00w	-12.00
Tate and Lyle export price	£229.50	-7.50
Barley (English feed)	£109.50z	

COCOA £/tonne

	Close	Previous	High/Low
Mar	1054	1067	1069 1052
May	1075	1088	1089 1073
Jly	1094	1107	1109 1093
Sep	1114	1127	1128 1115
Dec	1138	1150	1152 1136
Mar	1163	1177	1180 1161
May	1183	1197	1186

Turnover:5117 (3384) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for February 9: 1319.35 (1339.74) .10 day average for February 10: 1351.02 (1362.29).

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1240	1242	1240 1234
May	1262	1269	1266 1260
Jly	1285	1291	1289 1285
Sep	1309	1315	1310 1304
Nov	1334	1332	1336 1331
Jan	1356	1355	1357 1353
Mar	1380	1380	1383 1377

Turnover: 3074 (3569) lots of 5 tonnes
ICO indicator prices (US cents per pound) for February 8: Comp. daily 1979 119.28 (119.45); 15 day average 118.45 (118.19).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
Mar	187.20	183.80	188.40 179.00
May	187.60	185.80	190.00 182.00
Aug	185.20	184.00	187.00 179.40
Oct	184.60	182.80	187.00 180.00
Dec	186.00	184.00	
Mar	186.80	183.00	187.00 184.00
May	187.60	186.00	
White	**Close**	**Previous**	**High/Low**
Mar	224.50	223.00	225.50 218.00
May	225.00	224.00	226.50 221.00
Aug	227.00	227.00	227.50 226.00
Oct	227.50	227.50	228.50 224.50
Dec	228.50	228.00	226.00
Mar	231.00	231.00	230.50
May	233.00	234.00	

Turnover: Raw 8249 (6844) lots of 50 tonnes; White 1489 (6155).
Paris- White (FFr per tonne): Mar 1275, May 1295, Aug 1310, Oct 1310, Dec 1320, Mar 1345.

GAS OIL $/tonne

	Close	Previous	High/Low
Feb	139.00	140.50	141.75 139.00
Mar	140.50	142.75	143.75 140.25
Apr	139.50	141.50	142.50 139.25
May	139.00	139.75	140.50 139.00
Jun	141.25	142.50	142.75 141.00
Jul	141.50	142.50	142.75 141.50

Turnover: 7001 (5990) lots of 100 tonnes

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 8,225 tonne
Cash	2060-80	2020-40		2070-80		
3 months	1915-25	1870-85		1900-10		2,868 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 30,025 tonne
Cash	1175-80	1146-8	1166/1164	1164-5		
3 months	1094-5	1064-6	1106/1083	1084-5	1087-8	44,830 lots
Copper, Grade A (£ per tonne)						Ring turnover 44,175 tonne
Cash	1319-20	1299-302	1326/1320	1326-8		
3 months	1191-2	1164-5	1203/1180	1195-6	1198-200	72,472 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1280-90	1255-60		1280-300		
3 months	1160-70	1135-45		1165-75		34 lots
Silver (US cents/fine ounce)						Ring turnover 20,000 ozs
Cash	619-22	633-5	624	624-5		
3 months	630-3	644-6		635-7	630-5	665 lots
Lead (£ per tonne)						Ring turnover 8,550 tonne
Cash	354-5	356-7	358/354	353.5-4.5		
3 months	337-8	339-40	339/334	336.5-7	336-7	11,911 lots
Nickel ($ per tonne)						Ring turnover 2,130 tonne
Cash	8136-56	7990-8010		8020-30		
3 months	7844-6	7710-5	7890/7730	7774-80	7865-880	9,399 lots
Zinc (£ per tonne)						Ring turnover 6,550 tonne
Cash	491-2	492-3	492	491.5-2		
3 months	498-8.5	497.5-8	500/497	498.5-9	497.5-8.5	12,377 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	91.00	96.50	96.00 95.00
Mar	81.00	82.50	81.00 80.50
Apr	149.20	148.90	150.00 147.00
May	168.00	168.00	169.00 166.50
Nov	99.00	98.30	99.00 98.50
Feb	110.00	107.50	110.00

Turnover: 336 (148) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	127.80	128.00	127.50
Jun	122.50	122.80	
Aug	121.00	121.00	
Oct	122.50	122.60	
Dec	127.00	127.50	
Feb	130.00	130.00	

Turnover: 36 (268) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Apr	1581.0	1573.0	1575.0 1545.0
Jly	1410.0	1433.0	1436.0 1408.0
Oct	1438.0	1463.0	1485.0 1435.0
Jan	1398.0	1415.0	1420.0 1395.0
BFI	1514.0	1499.5	

Turnover: 734 (296)

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	439½-440	251½-252
Opening	439¾-440¼	252-252½
Morning fix	439.25	251.847
Afternoon fix	438.60	251.678
Day's high	440-440¼	
Day's low	437½-438	
Coins	**$ price**	**£ equivalent**
US Eagle	452½-457½	259-262
Mapleleaf	452½-457½	259-262
Britannia	452½-457½	259-262
Krugerrand	436¾-441¼	251-253
1/2 Krug	232-241	132¾-138
1/4 Krug	118-126	67½-72¼
Angel	450-455	257¾-260½
1/10 Angel	48-53	27½-30¼
New Sov.	103½-104½	59¼-60
Old Sov.	103½-105	59¼-60¼
Noble Plat	465-474	263¾-267¼

Silver fix	p/fine oz	US cts equiv
Spot	360.30	629.25
3 months	368.60	639.55
6 months	377.30	650.55
12 months	395.60	674.25

GRAINS £/tonne

US MARKETS

SUGAR TESTED Monday's lows as selling continued but trade buying deflected commission house buy stops and prices closed up on the day, reports Drexel Burnham Lambert. Silver drifted lower on lack of buyers, while gold held firm on fund and light trade buying with bank selling and short-covering also a feature. Copper recovered from early pressure on trade buying in the face of scale-up overseas selling. Crude oil was on the defensive in light trading ahead of the API statistics, with local and trade selling and profit-taking punctuated by short-covering rallies. Cocoa reached new contract lows as speculative sell stops eased prices in response to a firmer US dollar. Trade and industry buying absorbed most of the selling pressure. Orange juice closed mixed but under pressure from commission house selling with trade scale down buying lending support. Live hogs closed strongly as cash prices rallied unexpectedly reflecting tightness of nearby supplies forcing packers to pay higher prices. Live and feeder cattle futures rallied also as a result of packer interest and as the implications of the census were assessed further.

New York

Chicago

مكبر من الأصل

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound at four-month low

THOUGHTS OF another rise in UK base rates were not enough to stop the pound from slipping to a four-month low in currency markets yesterday. Sentiment was influenced by the current strike by Ford workers and repeated fears that higher wage settlements and a deteriorating balance of payments deficit would push the pound weaker later this year.

Its exchange rate index finished at 73.9, the lowest rate since the middle of October, having opened at 74.0 and compared with 74.1 on Monday.

Against the dollar it slipped to $1.7465 from $1.7540 and DM2.9700 compared with DM2.9725. It was also lower against the yen at Y225.50 from Y225.75. Elsewhere it closed at SFr2.4325 from SFr2.4300 and FFr10.0175 compared with FFr10.0375. Despite the decline, sterling still showed a healthy gain from this time last year when its exchange rate index was 68.5 and against the D-Mark and dollar it was trading at DM2.76 and $1.5190 respectively.

The dollar finished around the middle of the day's range. Proximity of Friday's release of December trade figures was sufficient to keep most traders on the sidelines. There was no incentive to push the US unit firmer but it retained a firm undertone. Demand for US bonds ensured a steady trickle of dollar purchases, as some short term investors were looking for a more relaxed credit stance after yesterday's meeting of the Federal Open Market Committee.

However some analysts did not envisage a cut in the discount rate. Large amounts of liquidity had been pumped into the market after last October's crash and there was plenty still left in the market. There was certainly sufficient to fund economic expansion without resorting to a cut in the cost of borrowing. While economic growth in the current quarter is expected to be flat, analysts are looking for an expansion of 2-2½ p.c. in the second half of the year.

The dollar closed at DM1.7000 from DM1.6950 and Y129.15 compared with Y128.65. Elsewhere it finished at SFr1.3925 from SFr1.3855 and FFr5.7350 compared with FFr5.7225. On Bank of England figures, the dollar's exchange rate index rose to 95.2 from 94.9.

D-MARK—Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. January average 1.6547. Exchange rate index 148.8 against 145.5 six months ago.

A fixing level of DM1.7029 in Frankfurt after DM1.7036 on Monday tended to reflect the lack of any real movement in the market. The Bundesbank did not intervene at the fixing and there seemed little chance of much change ahead of Friday's release of US trade figures for December.

News of a confirmed 0.2 p.c. rise in West German cost of living in January gave a year on year rise of just 0.7 p.c. The latter was revised from a previous estimate of 0.8 p.c. This was much in line with expectations but served to remind traders that the low level of inflation could ultimately bring pressure to bear within the EMS.

JAPANESE YEN—Trading range against the dollar in 1987/88 is 159.45 to 121.35. January average 127.77. Exchange rate index 239.8 against 214.1 six months ago.

Trading was confined to a narrow range in Tokyo. The dollar closed at Y129.05 from Y128.95 in New York, having hovered around the Y129.0 for most of the day. Investors were unwilling to make any commitment before the release of Friday's trade figures.

However, the dollar retained a fairly bullish undertone as traders saw demand for US bonds, reflecting speculation in some quarters that the US Federal authorities may decide to ease credit conditions.

£ IN NEW YORK

Feb.9	Latest	Previous Close
£ Spot	1.7460-1.7470	1.7525-1.7535
1 month	0.32-0.29pm	0.32-0.30pm
3 months	1.15-1.10pm	0.95-0.92pm
12 months	4.27-4.17pm	3.75-3.65pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.9	Previous
8.30 am	74.0	74.4
9.00 am	74.0	74.4
10.00 am	74.0	74.4
11.00 am	74.0	74.4
Noon	74.0	74.4
1.00 pm	74.0	74.4
2.00 pm	74.0	74.4
3.00 pm	74.0	74.3
4.00 pm	73.9	74.2

CURRENCY RATES

Feb.9	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austrian Sch.	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]	[illegible]
Neth. Guilder	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]
Norway Krone	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]
Swedish Krona	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]
Greek Drach.	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

All SDR rates for February 8

CURRENCY MOVEMENTS

Feb.9	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.9	[illegible]
U.S. Dollar	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]
Austrian Schilling	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Feb.9	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af (Cm)	[illegible]	[illegible]
S. Af (Fn)	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1967	+1.74	+1.02	±1.5344
Danish Krone	7.85212	7.90395	+0.66	-0.06	±1.6404
German D-Mark	2.05853	2.06322	+0.23	-0.99	±1.0981
French Franc	6.90403	6.96907	+0.94	+0.22	±1.3674
Dutch Guilder	2.31943	2.31934	-0.01	-0.73	±1.5012
Irish Punt	0.768411	0.776075	+1.00	+0.28	±1.6684
Italian Lira	1483.58	1519.67	+2.43	+2.16	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7460-1.7480	1.7460-1.7470	[illegible]	[illegible]	[illegible]	2.58
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.03
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.17
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.19
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.97
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.82
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.81
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-4.61
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-2.23
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.10
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-4.52
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.45
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.07
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.10
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.37
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.71

Belgian rate is for convertible francs. Financial franc 62.50-62.60. Six-month forward dollar 2.25-2.20cpm 12 month 4.25-4.15cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7460-1.7480	1.7460-1.7470	[illegible]	[illegible]	[illegible]	2.58
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.64
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.56
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.67
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.62
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.96
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.30
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-7.20
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-4.91
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-5.61
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-7.19
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.15
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.57
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.59
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.51
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.15

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.65-35.75.

EURO-CURRENCY INTEREST RATES

Feb.9	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8¼-7⅞ per cent; three years 8¼-8 per cent; four years 8½-8¼ per cent; five years 8⅝-8⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb.9	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.747	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.572	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts nervous despite recovery

IT WAS not immediately obvious in Liffe markets yesterday, exactly what Chancellor Nigel Lawson meant by yesterday's remark, after a meeting of finance ministers in Brussels. In reply to a question, whether a further rise in UK interest rates was imminent, Mr Lawson said that "at present there are no great pressures. Foreign exchange markets are calm and stable today."

Inclusion of the word today instilled a note of caution. Some traders pointed out that a similar statement last year had been followed by a rise in rates and they suggested that the word "today" was either significant or superfluous. On the other hand the authorities would probably like to see a period of stability before making any decisions on interest rates.

Trading earlier in the day showed some signs of the hangover caused by Monday's hectic activity. The possibilities of an early rise in UK base rates were a little more clouded. Monday's sharp upward push in cash rates was overdone-rates fell back yesterday-but the less than convincing performance by sterling, finishing at a four month low on its exchange rate index, instilled a note of caution.

Three-month sterling deposits for March delivery opened at 90.42, down from 90.44 and moved to a high of 90.54 before closing at 90.48.

Long term gilt prices were also firmer, opening at 118-05 for March delivery and closing just one tick off the day's high at 118-27, up from 117-29 on Monday.

US Treasury bond prices were boosted by hopes of an early cut in the US discount rate although some analysts were not entirely convinced that the Fed would relax it credit stance just at the moment. Nevertheless the March Treasury bond price rose to 94-24 from 94-06 at the opening and 94-12 on Monday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
116	2.63	4.19	0.09	1.29
118	1.27	3.04	0.37	2.14
120	0.28	2.06	1.38	3.16
122	0.07	1.25	3.17	4.35
124	0.02	0.56	5.12	6.02
126	0.00	0.33	7.10	7.43
128	0.00	0.19	9.10	9.29
130	0.00	0.10	11.10	11.20

Estimated volume total, Calls 4872 Puts 1596
Previous day's open int: Calls 46782 Puts 31254

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
82	12.48	11.52	0.00	0.06
84	10.48	9.60	0.00	0.14
86	8.48	8.09	0.00	0.27
88	6.48	6.31	0.00	0.49
90	4.51	5.00	0.03	1.18
92	2.58	3.46	0.10	2.00
94	1.19	2.33	0.35	2.51
96	0.26	1.44	1.42	3.62

Estimated volume total, Calls 36 Puts 36
Previous day's open int: Calls 1471 Puts 2137

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Feb	Calls-settlements Mar	Puts-settlements Feb	Puts-settlements Mar
16000	10.45	12.65	0.55	2.75
16500	6.51	9.38	1.61	4.48
17000	3.53	6.70	3.63	6.80
17500	1.64	4.60	6.74	9.70
18000	0.64	3.03	10.74	13.13
18500	0.21	1.92	15.31	17.02
19000	0.06	1.17	20.16	21.27
19500	0.01	0.69	25.11	25.79

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 15 Puts 78

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
1.65	9.25	9.25	9.47	9.96	0.00	0.32	1.00	2.26
1.70	4.25	5.14	5.89	6.77	0.02	1.27	2.40	4.07
1.75	0.50	2.30	3.26	4.32	1.28	3.43	4.80	6.62
1.80	0.00	0.79	1.59	2.58	5.78	6.92	8.10	9.88
1.85	0.00	0.20	0.68	1.44	10.78	11.33	12.20	13.74
1.90	0.00	0.04	0.25	0.75	15.78	16.17	16.82	18.05
1.95	0.00	0.01	-	0.36	20.78	21.14	-	22.66

Estimated volume total, Calls 1 Puts 0
Previous day's open int: Calls 317 Puts 631

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
1.60	-	23.90	-	23.80	-	0.30	-	0.50
1.65	-	14.80	-	18.65	-	0.25	-	1.30
1.70	4.80	5.60	6.30	7.10	0.30	1.40	2.50	4.10
1.75	1.10	2.60	3.55	4.50	1.75	3.40	4.70	6.30
1.80	0.35	1.15	1.90	2.80	5.65	7.00	7.90	9.50
1.85	0.30	0.60	0.80	1.60	10.60	10.70	10.70	12.30
1.90	0.30	0.30	0.40	0.55	15.60	15.60	16.10	17.25

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 698 Puts 696

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
1.700	4.15	5.00	5.75	6.65	0.41	1.30	2.45	3.80
1.725	2.05	3.35	4.25	5.25	0.65	2.05	3.45	4.95
1.750	0.60	2.10	3.05	4.15	1.60	3.25	4.75	6.25
1.775	0.25	1.25	2.15	3.20	3.45	4.85	6.25	7.80
1.800	0.10	0.65	1.50	2.40	5.75	6.75	8.00	9.45
1.825	0.05	0.30	0.95	1.85	8.20	8.85	9.90	11.30
1.850	-	0.30	0.65	1.30	10.70	11.15	12.00	13.25

Previous day's open int: Calls 423,009 Puts 456,305
Previous day's volume: Calls 17,301 Puts 26,224

LIFFE- EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Calls Dec	Puts Mar	Puts Jun	Puts Sep	Puts Dec
90.25	2.96	2.83	2.55	2.31	0.00	0.00	0.03	0.10
90.50	2.71	2.58	2.32	2.09	0.00	0.00	0.05	0.13
90.75	2.46	2.34	2.08	1.87	0.00	0.01	0.06	0.15
91.00	2.21	2.09	1.86	1.66	0.00	0.01	0.09	0.20
91.25	1.96	1.85	1.64	1.46	0.00	0.02	0.12	0.25
91.50	1.71	1.61	1.42	1.27	0.00	0.03	0.15	0.31
91.75	1.46	1.38	1.22	1.09	0.00	0.05	0.20	0.38

Estimated volume total, Calls 218 Puts 0
Previous day's open int: Calls 1233 Puts 1199

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Mar	118-27	118-28	118-01	117-29
Jun	118-27	118-24	118-02	117-29

Estimated Volume 33386(41125)
Previous day's open int. 27632(29144)

7-10 YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Mar	94-29	94-30	94-17	94-14
Jun	-	-	-	-

Estimated Volume 166(449)
Previous day's open int. 2780(2620)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Mar	108.80	108.80	108.60	108.59
Jun	108.03	108.04	107.93	107.80

Estimated Volume 358(456)
Previous day's open int. 759(730)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Mar	90.48	90.54	90.40	90.44
Jun	90.38	90.42	90.30	90.32
Sep	90.30	90.32	90.21	90.24
Dec	90.20	90.21	90.12	90.13

Est. Vol. (inc. figs. not shown) 15486(19231)
Previous day's open int. 32998(31431)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Mar	169.90	170.30	169.10	168.20
Jun	172.15	172.00	171.65	170.45

Estimated Volume 1247(1714)
Previous day's open int. 8458(8463)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Mar	93.21	93.23	93.14	93.15
Jun	93.08	93.08	92.98	92.98
Sep	92.77	92.76	92.68	92.68
Dec	92.46	92.44	92.39	92.38

Est. Vol. (inc. figs. not shown) 6125(5441)
Previous day's open int. 32640(32077)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Mar	94-24	94-26	94-06	94-12
Jun	93-23	93-18	93-13	93-10

Estimated Volume 5200(5550)
Previous day's open int. 9944(10281)

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7465	1.7436	1.7353	1.7243	1.7047

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.7425	1.7440	1.7405	1.7445
Jun	1.7320	1.7320	1.7290	1.7320
Sep	1.7192	-	1.7192	1.7204
Dec	1.7144	-	1.7144	1.7154

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Mar	1.7387	-	-	1.7510
Jun	1.7270	1.7308	1.7308	1.7390
Sep	1.7160	1.7160	1.7160	1.7270

Estimated volume 2(2)
Previous day's open int. 216(217)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Mar	94-22	94-24	93-03	94-11
Jun	93-20	93-23	93-02	93-10
Sep	92-23	92-23	92-08	92-12
Dec	91-26	91-26	91-26	91-17
Mar	-	-	-	90-24
Jun	-	-	-	90-01
Sep	-	-	-	89-11
Dec	-	-	-	88-22
Mar	-	-	-	88-02
Jun	-	-	-	87-15
Sep	-	-	-	86-29

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar	94.51	94.52	94.49	94.47
Jun	94.35	94.35	94.32	94.30
Sep	94.06	94.07	94.05	94.03
Dec	93.76	93.76	93.75	93.72
Mar	93.49	93.49	-	93.46
Jun	-	-	-	93.26

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Mar	0.7202	0.7216	0.7197	0.7231
Jun	0.7285	0.7300	0.7283	0.7315
Sep	0.7372	0.7372	0.7370	0.7400
Dec	-	-	-	0.7481

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Mar	0.7756	0.7769	0.7754	0.7769
Jun	0.7806	0.7817	0.7806	0.7820
Sep	0.7873	-	0.7870	0.7878
Dec	-	-	-	0.7938
Mar	-	-	-	0.7998

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Mar	0.5888	0.5896	0.5887	0.5896
Jun	0.5935	0.5944	0.5934	0.5945
Sep	0.5998	0.6000	0.5998	0.5998
Dec	-	-	-	0.6054

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar	93.21	93.22	93.18	93.15
Jun	93.07	93.08	93.02	92.98
Sep	92.75	92.76	92.72	92.68
Dec	92.44	92.45	92.42	92.38
Mar	92.18	92.18	92.14	92.12
Jun	91.95	91.96	91.92	91.90
Sep	91.75	91.76	91.73	91.72
Dec	91.60	91.60	91.57	91.56

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar	251.25	251.80	250.20	249.95
Jun	252.70	252.90	252.05	251.25
Sep	254.05	254.05	-	252.65
Dec	-	-	-	254.10

MONEY MARKETS

Slightly easier tone

THE SHARP wind that blew through the London money market on Monday showed signs of abating yesterday. While weekend press comment was largely responsible for Monday's sharp rise, a more restrained appraisal yesterday tended to take the wind out of the bears' sails.

Three-month interbank money was lower at 9⅞-9¾ p.c. compared with 9½-9⅝ p.c. while the one year rate slipped to 9¾-9⅝ p.c. from 9⅞-9¾ p.c. Overnight money opened at 7¾ p.c. and fell away to 5 p.c. before finishing at 6 p.c.

UK clearing bank base lending rate 9 per cent from February 2

Once again discount houses were keen to unload longer dated paper, which accounted for the split dealing rates in band 4 bills. Comments by Chancellor Nigel Lawson that he saw no immediate pressure for a rise in base rates, did little to lessen the uncertainty.

The Bank of England forecast a shortage of around £500m with factors affecting the market including Exchequer transactions, which drained £275m and banks' balances brought forward £90m below target. In addition, the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining a further £203m. These were partly offset by a fall in the note circulation of £55m.

The forecast was revised to a shortage of around £650m and the Bank gave assistance in the morning of £662m through outright purchases of £52m of eligible bank bills in band 3 at 8⅞ p.c. and in band 4 £13m of local authority bills at 8⅞ p.c. and £597m of eligible bank bills at 8⅞-8¾ p.c.

There was no intervention by the Bank in the afternoon.

In Frankfurt the Bundesbank announced a 28-day sale and repurchase tender at a fixed rate of 3.25 p.c. Successful applicants will receive their allocations today. An injection of funds was badly needed as call money rose to 3.4-3.5 p.c. Banks were faced with payments on a Federal domestic bond of DM3.2bn while a reduction in rediscount quota of DM6bn comes into force this month. Traders were fairly confident that the Bundesbank would be reasonably generous in the amount allocated since a further DM8bn leaves the market today as a previous facility matures.

Commercial banks holdings with the central bank fell to DM51.1bn at the end of last week compared with an expected minimum reserve requirement of nearer DM54bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.9) 3 months US dollars		6 months US Dollars	
bid 6⅝	offer 6¾	bid 6¾	offer 6⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	8½	One month	5.09	Three year	7.34
Broker loan rate	8	Two month	5.37	Four year	7.50
Fed.funds	6⅝	Three month	5.78	Five year	7.67
Fed.funds at intervention	6⅝	Six month	6.13	Seven year	7.95
		One year	6.49	10-year	8.15
		Two year	7.10	30-year	8.34

Feb.9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.40-3.50	3.15-3.25	3.20-3.30	3.20-3.35	3.25-3.40	4.50
Paris	7⅛-7¼	7⅛-7¼	7⅛-7½	7⅛-7¼	7⅞-8	7.50
Zurich	[illegible]	[illegible]	-	1⅞-1½	-	-
Amsterdam	[illegible]	[illegible]	-	[illegible]	-	-
Tokyo	3.40625	3.71875	-	3.84375	-	-
Milan	[illegible]	10¾-11¼	-	10¾-11¼	-	-
Brussels	6.80	[illegible]	-	[illegible]	-	-
Dublin	7⅞-8	[illegible]	8⅞-8⅞	[illegible]	9-9⅞	-

LONDON MONEY RATES

Feb.9	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	7⅞	8¼	9	[illegible]	[illegible]	[illegible]
Interbank Bid	5	7⅞	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	9	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	7	7⅞	-	-	-	-
Company Deposits	7½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	[illegible]	9	-	-
Bank Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Fine Trade Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Dollar CDs	-	-	6.90-6.85	7.00-6.95	7.15-7.10	7.60-7.55
SDR Linked Dep Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	-	-	6	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 8⅝ per cent; three months 8⅞ per cent; Bank Bills (sell): one-month 8⅝ per cent; three months 8⅞ per cent; Treasury Bills; Average tender rate of discount 8.6618 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 29, 1988. Agreed rates for period Feb.24, 1988 to March 25, 1988, Scheme I: 10.11 p.c., Schemes II & III: 10.22 p.c. Reference rate for period January 1 1988 to January 29, 1988, Scheme IV: 8.973 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9.00 from February 1, 1988: Bank Deposit Rates for sums at seven days notice 3-3½ per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 7½ per cent; one-three months 8¼ per cent; three-six months 8½ per cent; six-nine months 8½ per cent; nine-twelve months 8¼ per cent; Under £100,000 7½ per cent from Jan.26,1988. Deposits withdrawn for cash 5.00 per cent.

Legal Notices

TARPARE LIMITED
TARPARE FLANGES LIMITED
TARPARE TUBES & FITTINGS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 48 (2) of the Insolvency Act 1986 that a meeting of the unsecured creditors of the above-named companies will be held at the Grand Hotel, Colmore Row, Birmingham at 11.00 hours on 22 February 1988 for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act and, if thought fit, appointing a committee.

Creditors are only entitled to vote if:
(a) they have delivered to us at the address shown below, no later than 1200 hours on 19 February 1988, written details of the debts they claim to be due from the company, and their claims have been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with us any proxy which the creditor intends to be used on his behalf.

Date: 5 February 1988

John F Powell
Joint administrative Receiver
Cork Gully
43 Temple Row
Birmingham
B2 5JT

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Feb. 88 Last	May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Stock
GOLD C	$ 440	110	6	14	20	-	-	$ 438.60
GOLD C	$ 480	3	0.50	3	7	9	12.50	$ 438.60
GOLD C	$ 500	-	-	3	3.50	10	8.50	$ 438.60
GOLD C	$ 520	-	-	22	2.50	3	6.80	$ 438.60
GOLD P	$ 400	20	0.40	101	4.50	-	-	$ 438.60
GOLD P	$ 420	10	1.80	2	8 B	8	10.50 B	$ 438.60
GOLD P	$ 440	14	6.50 B	53	13.90	224	20	$ 438.60
GOLD P	$ 460	74	21.50 B	100	25	100	25 B	$ 438.60
GOLD P	$ 480	16	41	363	41	1	42	$ 438.60
GOLD P	$ 500	-	-	15	61 B	-	-	$ 438.60
		Mch. 88		Jun. 88		Sep. 88		
SILVER C	$ 700	12	11	-	-	-	-	$ 624
SILVER C	$ 800	10	5	-	-	-	-	$ 624
		Feb. 88		Mch. 88		Apr. 88		
EOE Index C	FL. 165	1	10.80	-	-	10	17	FL. 176.33
EOE Index C	FL. 170	50	7.50	15	11	-	-	FL. 176.33
EOE Index C	FL. 175	72	3.90	28	7.60	3	10	FL. 176.33
EOE Index C	FL. 180	44	1.90	-	-	1	7.80	FL. 176.33
EOE Index C	FL. 185	8	0.90 A	44	3.50	12	5.20	FL. 176.33
EOE Index P	FL. 160	9	0.50	-	-	-	-	FL. 176.33
EOE Index P	FL. 165	135	1	82	2.70	6	5.20	FL. 176.33
EOE Index P	FL. 170	249	1.90	32	4.70	68	7.50	FL. 176.33
EOE Index P	FL. 175	121	3.20	5	7.50	3	9.30	FL. 176.33
EOE Index P	FL. 185	52	10 A	-	-	1	14.40	FL. 176.33
S/FI C	FL. 185	11	6.30	305	7 A	-	-	FL. 191.57
S/FI C	FL. 190	25	2.60	505	3.80	-	-	FL. 191.57
S/FI C	FL. 195	-	-	6	1.80	30	2.40	FL. 191.57
S/FI P	FL. 175	-	-	300	0.60	-	-	FL. 192.57
S/FI P	FL. 185	-	-	54	1.60	-	-	FL. 191.57
S/FI P	FL. 190	42	1.70	-	-	-	-	FL. 191.57
S/FI P	FL. 200	-	-	80	9.80	-	-	FL. 191.57
		Apr. 88		Jul. 88		Oct. 88		
ABN C	FL. 40	100	0.70	41	1.20	63	2	FL. 36.70
ABN P	FL. 40	8	3.80	30	5.40	15	6.50	FL. 36.70
AEGON C	FL. 60	30	2.30	-	-	-	-	FL. 59
AHOLD C	FL. 70	35	5.10	-	-	-	-	FL. 72.90
AHOLD P	FL. 70	37	2 A	-	-	-	-	FL. 72.90
AKZO C	FL. 100	239	1.60	259	3.20	-	-	FL. 89.60
AKZO P	FL. 80	17	1.20	26	4	17	6	FL. 89.60
AMRO C	FL. 55	41	2.80	-	-	-	-	FL. 56.40
ELSEVIER C	FL. 35	44	10	-	-	-	-	FL. 44.70
ELSEVIER P	FL. 55	52	11	-	-	-	-	FL. 44.70
GIST-BROC. C	FL. 27.50	27	1.80	39	2.50	-	-	FL. 27.20
GIST-BROC. P	FL. 25	22	0.90	300	2.40 B	-	-	FL. 27.20
HEINEKEN C	FL. 120	34	5 B	4	8	1	11 B	FL. 116
HEINEKEN P	FL. 110	19	3.80	-	-	5	9.50	FL. 116
HOOGOVENS C	FL. 30	11	0.60	30	1.50	-	-	FL. 25.30
HOOGOVENS P	FL. 22.50	-	-	10	1.30	-	-	FL. 25.30
KLM C	FL. 30	190	2.70	178	3.70	-	-	FL. 31.50
KLM P	FL. 30	266	1.20	2	2.40	30	3.30	FL. 31.50
NEDLLOYD C	FL. 180	136	8.10	6	13.90	-	-	FL. 165.50
NEDLLOYD P	FL. 160	103	11.50	-	-	-	-	FL. 165.50
NAT.NED. C	FL. 55	227	0.80	49	1.80	35	2.90	FL. 51.80
NAT.NED. P	FL. 70	322	18.50	272	19.20	-	-	FL. 51.80
PHILIPS C	FL. 30	119	0.20 B	169	0.70	-	-	FL. 25
PHILIPS P	FL. 30	154	6.10	-	-	-	-	FL. 25
ROYAL DUTCH C	FL. 230	77	1.30	152	3.20	-	-	FL. 211.60
ROYAL DUTCH P	FL. 200	133	3	215	8	150	13	FL. 211.60
ROBECO C	FL. 90	-	-	13	1.50	-	-	FL. 83.90
UNILEVER C	FL. 110	218	4.50	27	7.50	12	10	FL. 109.20
UNILEVER P	FL. 100	155	2.60 A	19	4.60	55	6.90	FL. 109.20

TOTAL VOLUME IN CONTRACTS : 16,638

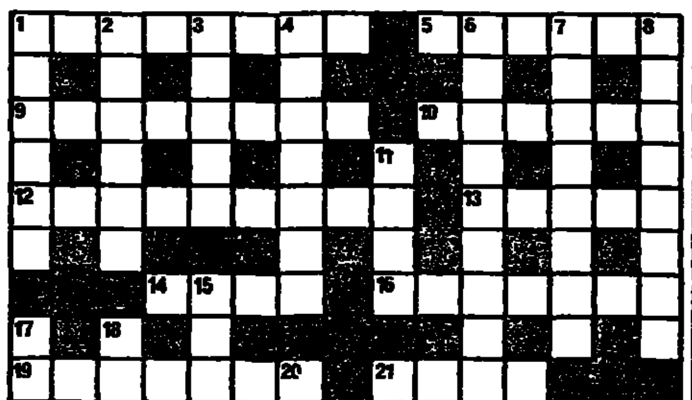
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	9	Citibank NA	9	Nat Bk. of Kuwait	9
Adam & Company	9	City Merchants Bank	9	NatWestminster	9
AAB - Allied Arab Bk.	9	Clydesdale Bank	9	Northern Bank Ltd	9
Allied Irish Bank	9	Comm.Bk.N.East	9	Norwich Gen. Trust	9
American Exp.Bk	9	Consolidated Cred	9	PK Finans. Intl(UK)	9½
Amro Bank	9	Co-operative Bank	*9	Provincial Bank PLC	10
Henry Ansbacher	9	Cyprus Popular Bk	9	R. Raphael & Sons	9
ANZ Banking Group	9	Dunbar Bank PLC	9	Roxburghe G'rantee	9½
Associates Cap Corp	10	Duncan Lawrie	9	Royal Bk of Scotland	9
Authority Bank	9	Equatorial Bank plc	9	Royal Trust Bank	9
B & C Merchant Bank	9	Exeter Trust Ltd	9½	Smith & Williams Secs.	9
Banco de Bilbao	9	Financial & Gen. Sec.	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Sec. Ltd.	9½	TSB	9
Bank Leumi (UK)	9	● Robert Fleming & Co.	9	UDT Mortgage Exp	♦10.2
Bank Credit & Comm	9	Robert Fraser & Ptnrs.	10	United Bk of Kuwait	9
Bank of Cyprus	9	Girobank	9	United Mizrahi Bank	9
Bank of Ireland	9	Grindlays Bank	9	Unity Trust Bank Plc	9
Bank of India	9	● Guinness Mahon	9	Western Trust	9
Bank of Scotland	9	HFC Trust & Savings	9	Westpac Bank Corp.	9
Banque Belge Ltd	9	● Hambros Bank	9	Whiteaway Laidlaw	9½
Barclays Bank	9	Heritable & Gen Inv Bk	9	Yorkshire Bank	9
Benchmark Bank PLC	9	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co.	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj Bank Ltd	9		
Cl. Bank Nederland	9	Midland Bank	9		
Central Capital	9	● Morgan Grenfell	9		
● Charterhouse Bank	9	Mount Bnkg Corp.	9		

● Members of the Accepting Houses Committee. * 7 day deposits 4.00% Sauverise 6.66%. Top Tier-£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. ♦ Mortgage base rate. § Demand deposit 4.00%. Mortgage 10% - 10.25%

FT CROSSWORD No.6,552
SET BY QUARK



ACROSS
1 Where are you going in old Rome?...(3,5)
5 ...being British abroad, going back! (6)
9 Having a pound in rocky coast? Mining could be (4,4)
10 Side view (6)
12 Put faith in the act that conveys property (5,4)
13 Middlesex, I learn, in part is cut off (5)
14 Greek I had in the frame! (4)
16 The Royal Engineers merit refurbished galley (7)
19 Description of finely woven articles that shine out in this paper (7)
21 What could be called left off polish? (4)
24 English – a light for all? (5)
25 Run off hastily in an informal way (9)
27 A day with the car and one gets cattle to market (6)
28 Locate exactly a trifling thing (8)
29 One associated with a Twist (6)
30 Animal disease caused by a fluke (5-3)

DOWN
1 Game leaves ring inside (6)
2 The mark of something corrupt (6)
3 Change coats for the races (5)
4 Ted's in a .... in a tizzy, acting as substitute (7)
6 Not very outstanding sculpture (3-6)
7 Not published it – indeed not so (8)
8 Understood, as people did in meeting (8)
11 Some read items fully, others simply a passage (4)
15 Drink flowing, we hear, in riverside rendezvous (9)
17 Cancelled, finished, hurt? (8)
18 Do I in arrangement behind flower get a small item in space? (8)
20 Take to this to call to account (4)
21 Spot the flaw? (7)
22 Shaky ride, e.g. relatively anxious (6)
23 Be off with you! (Be a bird?) (4,2)
26 Take top off pattern. That's enough (5)

Solution to Puzzle No.6,551

```
ORDNANCE PSYCHE
S A M O   A R A
PUTRIGHT INCURS
R E T E B G M T
ESSAY INEFFABLE
Y T  R A R     R
 BAIRNS KNOWALL
S M E     I S Y
CAPTAIN MODEST
R  R U A   E W
ALLOWANCE MAMBA
M I A S W E B R
BAKERS PENDULUM
L E D   S O E U
ERNEST STICKSUP
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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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هكذا من الاصل

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 4093/4/5

Scimitar Global Gth Ac	26.0	27.7	+0.1	-
Do. Income	25.8	27.5	-	0.29
Scimitar European Acc	19.1	20.4	-0.4	-
Do. Income	19.1	20.4xd	-0.4	0.11
Scimitar UK Eq Inc Acc	34.3	36.2	-0.3	-
Do. Income	32.9	34.7	-0.3	5.65
UK Cap Gth Acc	21.7	22.9	-0.5	0.75
Scimitar Pac Basin Acc	27.6	29.4	+0.2	-
Scimitar Mangd Exempt*	133.7	139.3xd	-3.4	-

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(x)
28 St Andrews Sq, Edinburgh 031-556 1051

Initial Income Units	122.0	129.8	-0.5	3.62
Initial Accum Units	186.6	198.5	-0.8	3.62
UK General Acc	35.6	38.1	+0.2	3.38
UK General Inc	34.3	36.7	+0.2	3.38
American	25.9	27.7	-0.3	2.13
European	33.4	35.7	-0.3	1.26
Japan	55.3	59.1	-0.2	0.09
Technology	32.7	35.0	-	2.29

Performance Trusts

Far East Perf Tst	16.6	17.8	-0.1	2.00
High Inc Perf Tst Inc	22.9	24.5	+0.3	5.56
High Inc Perf Tst Acc	23.4	25.0	+0.4	5.56
Worldwide Tact Perf Tst	26.5	28.3	-	2.71

Scottish Life Investments(x)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	198.1	211.4	+1.1	2.80
Columbus (US)	124.6	133.3	-1.1	1.44
Marco Polo (Pac)	201.8	215.4	-0.4	0.37
Da Vinci (Eur)	211.4	226.1	+0.3	1.79
Drake (Wld)	49.6	53.1	-	2.73

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	191.9	204.2	+0.7	2.41
UK Smlr. Cos. Equity	198.1	210.8	-0.2	2.15
UK Special Situations	56.4	60.0	-0.3	3.25
Income Plus	50.1	53.4	-0.1	5.99
European	151.4	161.1	-0.7	1.64
Far Eastern	46.8	49.8	-	2.39
Japanese †	52.0	55.4	-0.2	-
North American	107.4	114.3	-0.8	1.98
International Growth	102.9	109.5	-0.6	1.68
Worldwide Venture	49.9	53.1	-	3.94

Scottish Provident Inv. Mgt. Ltd
6 St Andrew Sq, Edinburgh 2 031-558 2341/2/3

Equity Growth Tst Acc	16.66	17.83	+0.02	3.11
Equity Growth Tst Inc	16.66	17.83	+0.02	3.11
Intl Growth Tst Acc	17.09	18.23	-0.06	1.44
Intl Growth Tst Inc	17.09	18.23	-0.06	1.44

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-686

TUUT Feb 1	213.5	224.8	-

Triton Pf Mngrs. Ltd
Royal Ldn. Hse. Colchester CO1 1RA 0206

Triton General	138.0	148.4	-0.1

Tyndall Unit Trust Managers Limited
25 Bucklesbury, London EC4N

Convertible & General	57.3	60.8xd	(z)
Accum Units	58.4	61.9	(z)
Income	76.7	81.3	+0.2
Accum Units	76.7	81.3	+0.2
Smaller Co's	79.4	85.0xd	-0.4
Accum Units	80.2	86.8	+0.5
UK Growth	83.5	88.3	+0.1
Accum Units	83.5	88.3	+0.1
Pacific Gold Tst Acc	47.6	50.5	-

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403

British Growth Fd	53.8	57.3	-0.5
Technical Analysis Fd	47.7	50.8	+0.2

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588
Advisers: Henderson Crosthwaite Ltd

Friars Hse Cap Fd	172.3	183.3	-
Friars Hse Inc Fd	145.9	153.6xd	-

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, EC. 01-534

United Charities	163.0	173.4	+1.1

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236
Dealing Line: 01-236 2468

Glenfriars	177.4	188.7	-
(Accum Units)	180.7	192.3	-
Far East & Gen	52.0	55.3	-0.2
(Accum Units)	52.0	55.3	-0
Master Portfolio	63.598	64.87xd	-0.038
(Accum Units)	65.000	66.647	-0.090
American & Gen	54.9	58.4	-0.1
(Accum Units)	55.6	59.1	-0
Growth	202.6	215.5	+1.1
(Accum Units)	303.8	323.2	+1.6
High Yield	257.6	274.0xd	+1.0
(Accum Units)	276.2	293.8	+1.1
Special Sits	49.6	52.8xd	-0.4
(Accum Units)	51.2	54.5	-0
Trustee	148.8	158.3	-0.3
(Accum Units)	239.6	254.9	-0.4
European Fund Inc	33.7	35.9	-
(Accum Units)	33.9	36.1	+0.1

Wardley Unit Trust Managers Ltd (a)

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

هكذا من الاصل

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987/88 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
[illegible]	[illegible]	Exch 10½pc '88	[illegible]		10.47	9.29
[illegible]	[illegible]	Treas 9¾pc Cv '88	[illegible]	[illegible]	9.74	9.29
[illegible]	[illegible]	Transport 3pc '78–88	[illegible]	[illegible]	3.05	7.09
[illegible]	[illegible]	Treas. 9½pc '88	[illegible]	[illegible]	9.51	9.56
[illegible]	[illegible]	Treas 11½pc 1989	102xd	[illegible]	11.29	9.54
[illegible]	[illegible]	Treas 9½pc Cnv 1989	[illegible]	[illegible]	9.51	9.52
[illegible]	[illegible]	Treas 3pc 1989	[illegible]		3.13	6.59
[illegible]	[illegible]	Treas 10½pc 1989	[illegible]	[illegible]	10.38	9.53
[illegible]	[illegible]	Exch 10pc 1989	[illegible]	[illegible]	9.99	9.56
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	[illegible]	10.78	9.60
[illegible]	[illegible]	Treas 5pc 1986–89	[illegible]		5.22	7.67
[illegible]	[illegible]	Exch 10¼pcCv '89	[illegible]	[illegible]	10.02	8.77
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	[illegible]	12.26	9.47
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	10.72	9.54
[illegible]	[illegible]	Exch. 12½pc 1990	[illegible]	[illegible]	11.85	9.56
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	3.27	7.07
[illegible]	[illegible]	Treas 8¼pc 1987–90‡‡	[illegible]	[illegible]	8.37	8.93
[illegible]	98	Treas. 8pc Cv 1990	[illegible]	[illegible]		8.31
105	[illegible]	Treas. 10pc Cv 1990	[illegible]	[illegible]	9.91	9.58
[illegible]	[illegible]	Exch 2½pc 1990	89	[illegible]	2.81	6.88
[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	11.15	9.58
[illegible]	[illegible]	Funding 5¾pc '87–91‡‡	[illegible]	[illegible]	6.20	8.98
[illegible]	[illegible]	Treas. 3pc 1991	88		3.41	7.17
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	9.77	9.19
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	10.55	9.57
99	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.40	9.50
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	11.58	9.60
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	9.87	9.59
[illegible]	[illegible]	Treas. 8pc 1992 ‡‡	[illegible]	[illegible]	8.44	9.54
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	10.19	9.61
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.59	7.50
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	11.20	9.65

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS – Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21	Rep NY Corpn $5	25¾	—	$1.20	—	2.6
18¼	8¾	Rockwell Intl. $1	10⅛	-⅛	66c	—	3.6
30½	16¼	Sara Lee $1(1/3)	22xd	-½	$1.20	—	3.0
11¾	8¾	Saul (B. F.) $1	10¼	-⅛	20c	—	1.1
27½	21⅛	Southwestern Bell $1	21¼	-¼	$2.32	—	6.0
22⅛	994p	Staley Continental	12⅜		80c	—	3.5
44½	21⅝	Sun Co. Inc. $1	30⅜xd	-⅛	$3.00	—	5.4
42¼	22⅛	TRW Inc. $0.625	25⅜xd	-⅛	$1.60	—	3.5
37⅛	21	Tenneco $5	22⅝xd	-⅛	$3.04	—	7.4
220	149½	Do. 10pcLn.Stk. 91-5	155		10%	—	14.7
29⅝	15⅝	Texaco $6.25	21⅝		$3.00	—	7.7
74½	36⅝	Time Inc. $1	50⅛	-⅛	$1.00	—	1.1
30⅛	15	Transamerica $1	18½	-⅛	$1.84	—	5.3
14⅛	7⅛	Transworld Corp $5	880p	-6	20c	—	1.2
27⅛	12¼	TRINOVA Corp.	16⅞	-¼	56c	—	1.8
24½	12⅝	USX $1	17½	-¼	$1.20	—	3.8
37⅛	16⅛	Utd. Technologies	20⅛	-1⅛	$1.40	—	3.8
38⅛	25⅛	US West	32		$3.28	—	5.8
30½	17⅛	Waste Management $1	19⅝	-⅛	36c	—	1.0
31⅛	11⅝	Whirlpool $1.0	15⅞	+⅛	—	—	—
37⅛	16½	Woolworth $3½	22⅞	-⅛	$1.32	—	3.2

CANADIANS

691p	227p	ABM Gold Corp	266p	+6	—	—	—
26½p	10p	Abbot Energy Corp.	18p		—	—	—
18⅛	506p	Amer. Barrick Res.	10⅛		—	—	—
141p	4p	American Lightwave	4p		—	—	—
122p	33p	Aranson	36p		—	—	—
117p	39½p	Augmitto Expln.	63p	+8	—	—	—
19⅛	10⅛	Bk. Montreal	11⅛	-⅛	$2.00	—	7.6
10⅛	488p	Bk. Nova Scot.	548p	-11	72c	—	5.8
20⅛	15	BCE	17¼		$2.40	—	6.1
10⅛	511p	Bow Valley	673p	-5	40c	—	2.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES — Contd

1987/88 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
598	350	Refuge 5p	455	−2	15.75	–	4.8	–
595	345	Royal	384	+2	†h15.5	–	5.5	–
110	65	Sakhre Ins. Invs.	78		–	–	–	–
*345	168	Sedgwick Group 10p	209	+2	12.0	1.7	7.9	8.9
379	138	Steel Burrill J.10p	178		†9.0	2.0	7.3	9.5
612	303	Stenge Hldgs 20p	418	+5	8.5	♦	2.8	♦
£12⅞	645	Sun Alliance	798	−1	†23.5	–	4.0	–
£13	865	Sun Life 5p	£10½		†28.5	–	3.9	–
£69⅞	£36¼	♥Taisho M EDR	£48½	−½	q010%	–	0.9	–
£22⅝	£12⅛	Torchmark $1.00	£16	−⅛	Q$1.00	–	3.4	–
410	235	Trade Indemnity	367		†14.3	–	3.4	–
£34	£17¼	Travelers $1.25	£22½	−⅛	$2.28	–	5.8	–
£30⅝	£15⅛	USF & G Corp $2.50	£18⅞		Q$2.48	–	7.2	–
£35⅝	£15⅞	USLIFE Corp. $1.0	£19	+⅛	Q$1.28	3.2	3.7	8.5
738	505	♥Utd Friendly B 10p	543	+38	21.0	–	5.3	–
464	192	Willis Faber 12½p	228	−1	†10.75	2.4	6.8	8.3
128	41	Windsor Secs. 10p	55	+2	0.8	♦	2.0	♦

LEISURE

1987/88 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
35½	10	♥A & M Group 10p	13		–	–	–	–
242	77	Airsears 10p	97	−1	Ld5.4	1.6	7.8	11.3
*549	253	Anglia TV	417	+1	14.5	♦	4.9	♦
194	77	♥Aspinall Hldgs. 10p	163		♦6.0	1.2	5.0	22.3
141	62	♥Avesco 1p	80		0.5	6.7	0.9	22.6
72	40	♥BCE Hldgs 5p	42xd		Ld1.0	2.7	3.3	15.6
300	132	Barr & W.A.T. 'A'	210		†8.0	1.4	5.2	17.1
58	21	♥Bond Media	22		–	–	–	–
235	165	Boosey & Hawkes	170	−2	–	–	–	–
83	28	♥Border T.V.	40xd		†1.4	2.4	4.8	11.6
*439	43½	Brent Walker 10p	305		†a8.5	2.2	4.9	14.7
124	79	Do 6pc.Cv.Cm.Rd.Pf.	97	+1	6.0	–	8.5	–
*338	110	Campari Int. 20p	229		†3.0	5.1	1.8	11.7
306	152	♥Castle Comms. 5p	175		L7.0	2.0	5.6	12.2
211	127	Capital Radio 10p	185	−1	6.0	2.7	4.4	11.4
684	370	CentralTV	563	+1	†17.0	2.3	4.1	14.6
274	111	Chrysalis	123	−1	7.0	1.9	7.8	9.1
101	33	♥Cityvision 5p	50	+4	–	–	–	–
*68	12	♥Eaterlale Prod 5p	39	+1	–	–	–	–
443	205	Fairline Boats 10p	353	+2	9.0	4.7	3.5	8.3
690	414	First Leisure £1	516		9.38	♦	2.5	♦

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

1987/88 High	Low	Stock	Price
128	53	Osprey Communications	90xd
101	83	Paragon Comms. 5p	85
*360	169	♥Parkway 5p	266xr
253	110	♥Peters (Michael)	162xr
118	50	♥Pineapple 10p	71
*697	327	Saatchi 10p	403
*138½	84	Do. 6.3pcCnvPref£1	108
375	237½	St Ives 10p	280
£53⅝	£32¼	Scott Paper	£38⅞
815	315	Shandwick 2p	450
89	40	♥Shelton (Martin) 10p	56xd
485	248	Smith (David S.) 20p	345
650	270	Smurfit (Jefferson)	358
126	73	♥Space Planning Servs.	89
58	22	♥Stanco Exhibition 5p	33
156	85	♥Sterling Pub. 5p	88
245	115	♥TMD Advertising	166
96	33	♥Thorpac Group 2½p	40
288	199	Usher Walker 10p	233
548	194	VPI Group 5p	288
*391	168	WCRS Group 5p	218
*£11⅛	303	WPP Group 10p	423
*360	59	Wace Group 20p	188
*344	158	Waddington (J.)	191
575	252½	Wassoughs	370
510	132	Waverley Cameron	510
358	165	♥Way Ibotson-Leahlip	230
287	133	Yellowhammer 5p	142

PROPERTY

1987/88 High	Low	Stock	Price
*129	70	Allied London 10p	98
107½	82	Do. 5½pc Cnv Red Pref	97
*306	108	Arlington Sec 10p	167
169	68	Asda Property 20p	121
132	89	Do 5½pc.Cm.Rd.Pf.	104
18	6	♥Austmark Int	7
223	100	BDA Hldgs. 10p	180
415	183	BakerHarrisSaund's10p	225
185	38	Barlows 10p	80

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES — Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND — Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES — Contd

Tins

Miscellaneous

THIRD MARKET

1987/88 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
133	95	M.L. Laboratories 1p	123	+7	–	–	–	–
180	87	Medirace 10p	128	−4	–	–	–	–
38	23	Norton Group 5p	25		–	–	–	–
98	33	♥Ovoca Gold IR 2p	42		–	–	–	–
48	36	Propeller 1p	38	+2	W–	–	–	11.9
*82	15	Publishing Hldgs.5p	16xr	+1	–	–	–	9.6
128	73	Seacon Hldgs	73		–	–	–	11.1
27	18	Stats Hldgs. 5p	25		–	–	–	63.9
4½	3	Swanyard Studios 1p	3¾		–	–	–	18.5
87	38	Theme Holdings	50	+2	1.0	1.9	2.7	26.8
36	22	Tomorrows Leisure 20p	31		–	–	–	12.4
210	128	UPL Group 10p	138		L2.41	2.8	2.5	19.5
140	103	Unit Group	140	+2	R4.6	2.5	4.5	(30.0)
85	85	Video Tape Recording 5p	85		L2.3	2.3	3.7	12.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● Tap Stock
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ♠ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend cover and p/e based on prospectus or other official estimates. Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p	65	−1
Craig & Rose £1	625	
Finlay Pkg. 5p	78	
Holt (Jos) 25p	£11½	
Ioll Stm. £1	250	

IRISH

Stock	Price	+ or −
Fund 11¼% 1988	£100½	
Nat. 9¾% 84/89	£100½	
Fin. 13% 97/02	£114⅝	
Arnotts	310	
CPI Hldgs	75	
Carrol Inds	145	−3
Hall (R. & H.)	108	
Heiton Hldgs	43	+1
Irish Ropes	128	
Unidare	305	

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	26
Amstrad	15
BAT	45
BOC Grp	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	65
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	110
Guardian	87
GKN	33
Hanson	14
Hawker Sidd	48
ICI	105
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	35
Lloyds Bank	23
Lucas Inds	62
Marks & Spencer	20
Midland Bk	35
Morgan Grenfell	35
NEI	10
Nat West Bk	60
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intnl	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42
Property	
Brit Land	28
Land Securities	48
MEPC	48
Peachey	40
Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24
Mines	
Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jan 11	Jan 21	Jan 22	Feb 1
Jan 25	Feb 4	Feb 5	Feb 15
Feb 8	Feb 18	Feb 19	Feb 29

*New time dealings may take place from 9.00 am two business days earlier.

Government bonds stage good rally and equity prices advance in thin turnover

THE UK SECURITIES markets yesterday staged a not-unexpected rally from the shakeout of the previous session. There was little sign of any change of market sentiment, however, and the recovery in share prices was held in check by an abysmally low level of turnover. Bonds, however, closed firmly, with the City relieved to see prices responding again to the firmer trend in New York fixed interest stocks.

Tensions over UK base rates slackened as London money rates shaded lower, but markets took a very cautious view of comments from Mr Nigel Lawson, UK Chancellor of the Exchequer, in Brussels, that there was "no great pressure for UK rates to rise today". From the City's perspective, the outlook on the UK labour front remained discouraging, with the Ford stoppage apparently solidifying.

There were few optimists about in the equity market. "There were very few sellers on Monday, and there were very few buyers yesterday", summarised the views of market traders. Both Gilts and equity sectors are now in defensive mode, awaiting Friday's disclosure of the trade figures from Washington and also the UK Retail Price Index, with the British Budget looming up on March 15, for good measure.

Equities opened steadily, with a softening in the pound bringing small gains in the blue chips. Encouraged by its move above FT-SE 1700, the marget edged up to 1711 until the sheer lack of trading volume left prices without support. With Wall Street also lacking thrust in early dealings, UK stocks ended below their best levels.

The FT-SE 100 Index closed 12.7 up at 1707.2. Shares traded through the Seaq system totalled only 325.3m, at the low end even of the poor trading levels of recent days.

The market indices were led forward by recoveries in such international stocks as **Glaxo**, **Shell** and **Unilever**. With rights issue worries receding, ICI looked in better form. **Reuters**, with trading figures due, rallied after several sessions of weakness which have reflected the shakeout in the world financial securities business, an important market for the group's electronic equipment.

Also underpinning the rally was the disclosure that the Kuwait Investment Office is continuing to buy BP shares. Some encouragement was also derived from the announcement by **American Medical International** of a £142.5m sale later this week of part of AMI Healthcare, its UK subsidiary, representing the first significant new issue sale since the UK equity market crashed.

However, large areas of the market, particularly in the Beta and Gamma rated stocks saw little turnover, and analysts continue to believe that equities could be tested again if turnover remains so poor.

The recovery in Government bonds was more convincing, although traders said that there was little retail buying. Prices moved upwards through an important chart support levelin early dealings.

Much of the impetus represented a squeeze on trading books as stock was bought to meet Monday's selling commitments. Some analysts, however, took a calmer view of the Ford Motor dispute, questioning whether it would set a precedent for other, less profitable, companies in the UK.

The market was slack, however, until late afternoon, when the early strength of the long-dated US Treasury bond took UK bonds ahead. This sent prices up to the best of the day, the long end closing a net ¾ up, with the mediums about ½ higher. The near-dated stocks, taking their lead from an easing in London money market rates, put on ¼.

Index-linked issues, the market's inflation-hedge stocks, moved up by ¼ point. The gain brought prices close to the levels at which the sector's taps were last activated. Treasury 2½ pc '11 traded at 105⁵⁄₁₆, against the 105⅛ at which the Bank last sold stock, while Treasury 2½pc '24 traded at 78⅝ against the Bank's last 78¼.

With the better part of £200m of the taps still available at the Bank, the IL sector is cautious at present of extending the strong advance of the past fortnight. However, buyers are still hovering, and any whiff of inflation, perhaps in Friday's Retail Price Index, is likely to bring them into the market

BP fully-paid shares edged up 3 to 259p with turnover of 5.4m well below Monday's 10m level. The partly-paid hardened to 76p with some 8.8m shares going through the SEAQ system after the Kuwait Investment Office announced it had upped its stake from 18.91 per cent to 19.24 per cent. The KIO were thought yesterday to have carried out further purchases of the partly-paid, buying in the region of 3m to 4m shares, according to dealers.

Other oil and gas stocks made progress albeit in relatively thin trading. **British Gas** put on 4 to 133½ on a turnover of 7.7m. **Enterprise** edged up 3 to 290p – turnover here was less than a million– while **LASMO**, where talk of an imminent offer from RTZ refuses to die down, improved 4 to 297p. **Ultramar** gained 6 to 240p still boosted by persistent takeover speculation, while **Premier** hardened to 69p after a recent "buy" recommendation from a leading US securities house.

Recent sales of **Calor shares** – thought to have represented selling by Burmah of part of its near 5 per cent stake in the company– dried up and Calor picked up 10 to 555p. **Burmah**, also said to be a bid target, rose 5 to 479p. Institutional buying lifted **Clyde Petroleum** 2½ to 120p.

Marks and Spencer came under sustained selling pressure late in the day and settled 4 down at 167p on a turnover of almost 6m shares after Citicorp Scrimgeour Vickers, the securities house, lowered its profits forecast for the year to March 1989 by £10m to £530m.

Mr Paul Deacon, of M & S analyst at Citicorp, says, "We remain cautious and would sell into strength". But Citicorp is holding its forecast for the 1987/88 year at £485m; Morgan Grenfell, in its latest Retail Monthly, forecasts £490m.

Rolls-Royce took a distinct turn for the better as the long-running saga of excess foreign shareholdings was resolved. At the time of privatisation a 15 per cent limit was imposed on overseas buyers. The remaining 6m shares indentified as excess foreign holdings were placed with institutions yesterday at 126p per share.

With the move outweighing concern over Lufthansa's cancellation of its order for V2500 engines, Rolls-Royce rose 2 to 127p on turnover of some 21m shares.

Speculation that Antipodean predators could be stalking certain brewery groups resurfaced following the disclosure that Elders IXL had recently bought stock of **Scottish & Newcastle** (S & N), and was the beneficial owner of a two per cent stake. The Edinburgh-based concern has trading links with Elders IXL, selling the latter's brand of Fosters lager through some of its 2,300 outlets.

S & N already has one Antipodean shareholder, Sir Ron Brierley holding a 5 per cent interest, while Norwich Union, the mutual insurance group, is another major holder. Ahead of the mid-morning announcement, S & N shares traded in lively fashion and rose to 245p before profit-taking pared the gain to 18 at 241p. Volume increased to some 8.4m shares.

Allied-Lyons, where Australian entrepreneur Mr Alan Bond sits on a 5 per cent stake, also spurted higher as investors caught the takeover bug. Turnover was relatively light – 3.1m shares changed hands – but with sellers reluctant the price jumped 9 to close at 333p.

Minor gains in the clearing banks represented "only routine trading" marketmakers said. **Barclays** put on 5 to 464p and **Midland** a like amount to 392p. **Standard Chartered** settled unaltered on the session at 508p following Press suggestions that the sale of the Californian banking subsidiary Union Bank Corp to Japanese interests for around $900m is imminent.

Dealers reported a disappointingly slow business in the insurance sector despite the worries over storm winds in Britain – "if you were going to sell the sector on the hurricane story you would have sold first thing on Monday", a senior trader said.

With market interest rivetted on Scottish & Newcastle, business in remaining Brewery issues, other than Allied-Lyons, shrank to minimal levels. Guinness experienced the lowest interest, with volume for some considerable time – less than 0.5m shares passed through the system – but the price regained Monday's loss at 275p.

Leading Building issues remained cautious with sentiment still clouded by the uncertain outlook for interest rates. Nevertheless, a modest rally ensued and **Blue Circle** edged up 3 to 415p. **BPB Industries** improved 5 to 268p on a turnover of about 1.7m shares as Barclays De Zoete Wedd (BZW) took a bullish view of the company's prospects. At the same time BZW remain cautious of **Redland's** move into the plasterboard market and the latter's shares, after improving to 407p, eased back to close a shade cheaper on balance at 402p. **Ashstead** attracted support following the excellent interim figures to close 15 higher at 445p.

ICI staged a modest rally to close ¼ higher at £10. Elsewhere in the Chemical sector, **Laporte** rose 8 to 390p helped by news of a US acquisition; the company has acquired Cyantek, a specialist chemical company, from Drexler Technology Corporation for US$3.5m. **William Canning** revived strongly at 203p, up 15, and **Hickson International** gained 11 to 149p. On the other hand, acquisition details failed to sustain BTP which settled 3 cheaper at 135p. BTP is buying Grace Laboratories, an Aspro-Nicholas chemical subsidiary for some £10.3m.

Good performances in the leading retailers were few and far between despite a number of leading broking houses taking a more positive view of the sector during recent days. There was solid support for **Next**, up 4 at 269p, while **Ward White** edged up to 304p after a handful of "buy" recommendations.

Headlam Sims spurted 20 to 85p, mirroring market talk that the company could be utilised as a shell situation.

GEC easily topped the list of active stocks in electricals as 9.5m shares changed hands – GEC were 2 cheaper at 148p and traders reported increasing buying interest in the stock at the lower levels. **Ferranti**, boosted by a "buy" recommendation from UBS Phillips and Drew, were a shade harder at 79p after a turnover of almost 2m shares.

Cable and Wireless hardened to 333p on a turnover of 1.3m shares ahead of a visit by telecommunications analysts to Hong Kong at the end of the month.

Domino Printing Sciences fell 22 to 311p as the preliminary profits failed to match best expectations, despite being up from £3.6m to £4.5m.

Hawker Siddeley recovered smartly to close 15 better at 458p in the wake of Hanson stakebuilding rumours. Elsewhere, suppliers to the motor industry struggled to lift the depression brought on by the Ford dispute. **GKN** regained 5 to 284p and **Pilkington** rallied 3 to 212p.

International stocks were looking a little better in places after a day described as "yet another extremely quiet and thin trading session". Glaxo staged a small rally to close 7 firmer at 985p while BOC, awaiting Thursday's first-quarter figures, regained 11 to 385p. Wellcome edged up 4 to 398p in the wake of the announcement that US associate, Burroughs Wellcome, has been issued with a patent covering the use of Zidovudine for the treatment of Aids and Aids-related complex.

Dealings resumed in **TSL** at 131p, up 26, following the agreed offer of 135p per share from Saint-Gobain, the French glass and construction materials producer. A large buyer in a restricted market left **Low and Bonar** 24 to the good at 228p. **Rank Organisation** revived with a gain of 11 at 68p amid talk of expansion prospects while **British Airways**, third-quarter figures expected next Wednesday, became a better market at 153p, up 5. Dealers reported Continental demand for **Pearson**, which closed a little altered at 699p. **Reuters**, a particularly weak market awaiting preliminary figures, expected today, rallied 9 to 449p. The announcement that B.A Brownhill has acquired a 5.1 per cent stake in the company, aroused excitement in **J. Williams** which moved ahead strongly to 60p before settling with a gain of 7 on the day at 55p. Stake news was also responsible for renewed activity in **Benlox**, up 4½ at 43p. In contrast, **Securicor Group A**, 237p, and **Security Services**, 233p, both gave 10 following the preliminary figures.

Tottenham Hotspur featured the Leisure sector, rising 7 to 125p, a two-day gain of 14 on buying in anticipation of the interim results due at the end of February. A company spokesman was unable shed any further light on the rapid advance in the shares, but it is understood that a unit trust recently acquired a sizeable number of shares.

Motor Component or Distributor stocks with exposure to the Ford strike were none too certain in direction. **Armstrong Equipment** came back 5 to 128p but **Perry** rebounded 15 to 205p and **H & J Quick** rallied 5 to 238p. **Lucas Industries** steadied at 582p after news of three overseas acquisitions designed to strengthen the group's presence in the electronic measurement and control field, while revived small demand lifted commercial vehicle manufacturer **ERF** 5 more to 262p.

A mixture of continental and domestic demand raised **Maxwell Communication** 6 to 244p. Maxwell is one of several concerns reportedly interested in acquiring some of the Fairfax group publications.

Turnover in the Property sector remained low, but the leaders managed a useful rally. **Land Securities**, on a turnover of just 1.1m shares, gained 13 to 469p, while **MEPC**, in which business expanded to around 1.2m shares, rallied 14 to 449p. Old takeover favourite **Hammerson A** revived with a gain of 18 to 512p and **Slough Estates** picked up 5 at 347p.

Tootal enjoyed increased activity and a firmer trend to close 3½ up at 113p following a "buy" recommendation from Kleinwort, Grieveson, the investment house. The Textile team of Christopher Maxey and Peter Hyde are confident that the group's wide geographical spread of activity and reliance on several defensive markets will make it less prone to any economic downturn than previously.

BAT Industries, which is prepared to discuss "all terms" of its bid for Farmers group, the California-based insurance group, recovered 6 to 423p. **Rothmans International** also regained ground, ending 7 higher at 397p.

Traded option activity tailed off, the total number of contracts falling to 27,393. Calls came out at 15,860 and puts totalled 11,539. Hanson calls were relatively active at 2,507, 1,305 of which were in the June 140's. The **FTSE** contract attracted 1,037 calls and 1,538 puts.

FINANCIAL TIMES STOCK INDICES

	Feb. 8	Feb. 5	Feb. 4	Feb. 3	Feb. 2	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	88.43	88.17	89.08	89.25	89.50	86.00	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.95	94.77	95.59	95.74	95.79	92.81	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1355.9	1349.0	1387.1	1410.9	1413.2	1493.0	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	254.5	249.0	251.0	241.7	253.1	318.5	497.5 (4/8/87)	241.7 (4/2/88)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.60	4.63	4.50	4.43	4.42	3.81				
Earnings Yld. %(full)	11.99	11.66	11.34	11.18	11.16	8.95				
P/E Ratio (net)(*)	10.54	10.48	10.77	10.93	10.95	13.68				
SEAQ Bargains (5pm)	22,634	27,892	27,484	22,715	23,648	46,321				
Equity Turnover (£m)	-	940.65	1019.98	1167.51	961.61	1365.00				
Equity Bargains	-	31,715	32,179	28,495	26,200	62,033				
Shares Traded (ml)	-	434.9	455.8	425.1	382.1	534.1				

S.E ACTIVITY

Indices	Feb.5	Feb.4
Gilt Edged Bargains	147.5	135.1
Equity Bargains	205.5	208.5
Equity Value	1901.5	2061.6
5-Day average		
Gilt Edged Bargains	142.4	152.8
Equity Bargains	190.7	200.0
Equity Value	2062.6	2072.9

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1353.8	1360.6	1358.5	1359.9	1360.3	1358.0	1359.0	1356.0

Day's High 1361.0 Day's low 1353.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.45.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

Traditional Options

- First dealings Feb 1
- Last dealings Feb 12
- Last declarations May 5
- For Settlement May 16

For rate indications see end of London Share Service

Quieter conditions prevailed in the Traditional option market yesterday. Stocks to attract money for the call included **Owners Abroad, Rutland Trust, Energy Capital, E.T. Sutherland, Far Eastern Resources, Benjamin Priest, Ratners, Dee Corporation, Jefferson Smurfit, GKN** and **Incoe**. No put or double options were reported.

NEW HIGHS AND LOWS FOR 1987/88

NEW HIGHS (1).
MINES (1) DRD Inc.

NEW LOWS (37).
CANADIANS (1) Spiral Eng., STORES (3) [illegible] ELECTRICALS (4) Applied Holographics [illegible] Ord. & Warrants, Dubilier Intl., Systems Reliability, ENGINEERING (1) Thornton (G.W.), INDUSTRIALS (5) [illegible] PAPERS (1) [illegible] TRUSTS (6) [illegible] MINES (1) [illegible]

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

[illegible]

FIXED INTEREST

[illegible]

LONDON TRADED OPTIONS

[illegible]

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	102	7	6
Corporations, Dominion and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Properties	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	874	646	1,435

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

[illegible]

EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA | FRANCE | GERMANY (continued) | NETHERLANDS (continued) | SWEDEN (continued) | SWITZERLAND | NORWAY | SPAIN | SOUTH AFRICA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | ITALY | NETHERLANDS | SWEDEN | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE

[illegible]

CANADA

TORONTO

Closing prices February 9

[illegible]

MONTREAL

Closing prices February 9

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 43

[illegible]

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Treas. 9% 2006	£97	+	¾
Treas. 2½% IL 2011	£105¾	+	¾
Allied-Lyons	333	+	9
BOC Group	385	+	11
Egerton Trust	173	+	10
Hammerson A	512	+	18
Hawker Siddeley	458	+	15
Headlam, Sims	85	+	20
ICI	£10¼	+	½
Johnson Fry	102	+	10
Land Securities	469	+	13
Laporte	390	+	8
Lonrho	243	+	7
MEPC	449	+	14
Manders	345	+	12
Perry Group	285	+	15
Rank Org.	618	+	11
Scottish & Newcastle	241	+	18
TSL	131	+	28
Williams (J.)	55	+	7

FALLS

BICC	314	-	9
Domino Printing	311	-	22

TOKYO - Most Active Stocks
Tuesday, February 9 1988

	Stocks Traded	Closing Prices	Change on day
[illegible]	[illegible]	[illegible]	[illegible]

Indices

NEW YORK

DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

TRADING ACTIVITY

[illegible]

CANADA

TORONTO

MONTREAL

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

N. AMERICAN QUARTERLY RESULTS

BEVERLY ENTERPRISES
Nursing homes

	1987 $	1986 $
Fourth quarter		
Revenues	499.6m	526.4m
Net income	#22.4m	#1.64m
Net per share	#0.41	#0.03
Year		
Revenues	2.09bn	2.02bn
Net income	#30.5m	44.9m
Net per share	0.54	0.71

#Loss

DOMTAR
Building materials

	1987 C$	1986 C$
Fourth quarter		
Revenues	656m	605m
Net income	38m	39m
Net per share	0.41	0.42
Year		
Revenues	2.57bn	2.33bn
Net income	161m	145m
Net per share	1.73	1.60

ENGELHARD
Precious metals refiner

	1987 $	1986 $
Fourth quarter		
Revenues	728.1m	702.2m
Net income	12.7m	14.3m
Net per share	0.28	0.35
Year		
Revenues	2.48bn	2.29bn
Net income	69.8m	53.3m
Net per share	1.60	1.31

HALLIBURTON
Oilfield services

	1987 $	1986 $
Fourth quarter		
Revenues	994.5m	808.3m
Net income	34m	5.4m
Net per share	0.32	0.05
Year		
Revenues	3.37bn	3.51bn
Net income	48.1m	#515.2m
Net per share	0.45	#4.85

LONE STAR INDUSTRIES
Cement, construction aggregates

	1987 $	1986 $
Fourth quarter		
Revenues	199.5m	227m
Net income	35.9m	88.2m
Net per share	2.08	5.81
Year		
Revenues	760.8m	883.4m
Net income	57.2m	117.4m
Net per share	3.04	7.01

MARRIOTT
Hotels, food service, restaurants

	1987 $	1986 $
Fourth quarter		
Revenues	2.12bn	1.85bn
Net income	61.7m	56.2m
Net per share	0.48	0.41
Year		
Revenues	6.52bn	5.27bn
Net income	223m	191.7m
Net per share	1.67	1.40

SUNDSTRAND
Defence, aerospace

	1987 $	1986 $
Fourth quarter		
Revenues	378m	397.7m
Net income	#10.4m	#11.5m
Net per share	#0.55	0.62
Year		
Revenues	1.37bn	1.43bn
Net income	34.6m	45.4m
Net per share	1.85	2.42

TEXAS EASTERN
Interstate pipeline, oil and gas

	1987 $	1986 $
Fourth quarter		
Revenues	913.1m	1.02bn
Op net income	35.3m	33.6m
Op net p/shr	0.59	0.56
Year		
Revenues	3.67bn	4.07bn
Op net income	111.3m	88.6m
Op net p/shr	1.80	1.37

TRW
Electronics, vehicle parts

	1987 $	1986 $
Fourth quarter		
Revenues	1.74bn	1.55bn
Net income	67m	45m
Net per share	1.10	0.74
Year		
Revenues	6.82bn	6.04bn
Net income	243m	218m
Net per share	4.01	3.62

ZAPATA
Offshore drilling, energy

	1987/8 $	1986/7 $
First quarter		
Revenues	40.3m	35.9m
Net loss	24.2m	20.3m
Loss p/shr	1.12	0.99

AMCA INTERNATIONAL
Fabricated metal products

	1987 $	1986 $
Fourth quarter		
Revenues	309.3m	252.7m
Op net income	6.496m	#6.995m
Op net p/shr	0.02	#0.36
Year		
Revenues	1.11bn	1.10bn
Net income	#2.894m	#1.171m
Net per share	#0.73	#0.87

#Loss

COLUMBIA GAS SYSTEM
Natural gas utilities

	1987 $	1986 $
Fourth quarter		
Revenues	911.8m	906.9m
Net income	36.3m	29.9m
Net per share	0.75	0.64
Year		
Revenues	2.8bn	3.37bn
Net income	111.3m	86.8m
Net per share	2.30	1.82

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		U U U								
27⅞	11⅝	UDC	2.20	12.	6	93	18⅛	17⅞	18⅛	+½
118	100	UDC pf				2	104½	104½	104½	
32	21⅞	UGI	2.04	7.6	12	25	26¾	26½	26¾	+⅛
13¾	4⅞	UNCInc	.01e	.1	10	384	7⅛	6⅞	6⅞	
31⅞	15⅝	UNUM	.40	1.9		624	20⅝	20⅛	20⅝	+⅜
		X Y Z								
85	50	Xerox	3	5.6	10	4849	54⅛	53¼	53¾	
58¼	52½	Xerox pf	5.45	10.		515	54	53¾	53¾	
31½	19⅛	XTRA	.64	2.3	14	240	27½	27½	27½	+⅛
33⅞	17½	Yorkin			11	84	26⅛	25¾	26	+¼
7¼	2¼	Zapata				327	3¼	3	3⅛	
37	13½	Zayre	.40	2.2	7	3376	18	17⅝	18	−¼
16⅛	8¾	Zemex	.40	4.0	13	4	10¼	10⅛	10⅛	−⅛
33⅝	10	ZenithE				371	15	14¾	15	+¼
13½	2⅞	ZenLab				219	3	2⅞	3	+⅛
25½	13½	ZenNtl	.80	4.5	9	286	17⅞	17½	17¾	
20⅜	11⅝	Zero	.36	2.4	15	17	14¾	14½	14¾	+⅛
30¾	15	Zurnin s	.88	3.1	14	206	22	21¼	21⅝	+⅛
10⅝	7⅝	Zweig	1.08e	12.		386	9⅛	9¼	9¼	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 41

AMERICA

Dow puts on late spurt to break run of losses

Wall Street

AFTER FALLING for four successive sessions, the equity market yesterday put on a late spurt to break the run of losses, *writes Janet Bush in New York.*

The Dow Jones Industrial Average had traded around Monday's closing levels for most of yesterday until a sudden rally in about the last five minutes of trading which seemed to have been almost entirely due to programmed buy orders. The Dow closed 18.74 points higher at 1,1914.46.

Volume totalled over 162m shares, a fairly moderate total which was again inflated by activity in stocks due to go ex dividend within the next few days. Interest in trading in the broader market remains at a very low ebb.

Stocks in focus for dividend plays included Avon Products, Consolidated Edison and Panhandle Eastern, an operator of natural gas lines. Avon closed $¼ lower at $23¾, Consolidated Edison gained $¼ to $45⅝ and Panhandle lost $⅜ to $25¼.

The stock market has now shown no trend for weeks and has settled into desultory trading in a very narrow range. Yesterday's sudden rally came out of the blue and, if other similar late rallies triggered by programmed trading provide a precedent, will likely not prove significant.

Low volume and a sense of uncertainty is likely to continue for most of this week as dealers wait for news from the two-day meeting of the US Federal Reserve's Federal Open Market Committee which finishes today and for December's US trade figures on Friday.

The dollar traded in a narrow range as dealers waited for the trade figures and fluctuations in the bond market were similarly modest. The Treasury's benchmark 8.875 per cent issue, due 2017, closed 9/32 higher to yield 8.33 per cent.

The bounce in bonds came in a reaction to profit-taking in the wake of last week's Treasury auctions and indicated a positive tone in the market.

The outlook for interest rates is the other key issue as the FOMC meets. Many participants in the bond market have become convinced that the Fed must ease monetary policy in response to recent figures indicating a slow-down in the economy. However, there are still enough sceptical voices to ensure there is an element of caution in speculation of lower interest rates.

The economic picture is still mixed. While there has no doubt been a deceleration in consumer demand, industry continues to show strength in response to the lower dollar. As long as there is doubt, the Fed is likely to be cautious.

In the equity market, Santa Fe Southern Pacific slipped $⅛ to $44⅞ and Henley Group, which announced it had increased its stake in Santa Fe to 15.7 per cent, rose $¼ to $21⅞.

General Motors, which yesterday reported fourth quarter net income of $2.36 per share compared with 97 cents a year earlier, added $1½ to $62¾. Ford Motor gained $1⅛ to $41⅞ despite the nationwide industrial action at its plants in Britain. The strength of auto issues was a feature of yesterday's market and was cited by some analysts as helping trigger the late rally in the Dow.

Insurance stocks were under pressure on reports that First Boston had lowered its investment ratings on three issues- Travelers which dropped $⅛ to $37¼, Continental Corp which fell $⅝ to $40⅜ and Cigna which lost $⅞ to $48.

Among blue chips, IBM recovered from a $⅛ loss at midsession to close $⅞ up at $108⅞, Eastman Kodak added $⅜ to $41⅛ and General Electric recouped a $⅛ loss earlier to close $¼ higher at $42½.

Canada

MANY INVESTORS stayed on the sidelines in Toronto waiting for the release of December U.S. trade figures. As a result stocks were mixed and trading moderate.

The composite index rose 25.3 to 3003.17 although declines outnumbered advances on volume of 18.4m shares.

Brussels tumbles as bid euphoria fades

"IT'S A BIT like the Tour de France – and at this stage I think we're about half way through", one key player in the battle for Société Générale de Belgique said mischievously on Monday, *writes Tim Dickson in Brussels.*

Like a cyclist faltering on a bit of tough mountain terrain, the Brussels bourse plunged sharply in early trading yesterday as the euphoric mood generated by the intense excitement over Belgium's most powerful company suddenly evaporated in a wave of selling.

The supermarket group GB-Inno BM fell 18 per cent to BFr934, Petrofina, the giant oil business tipped in some quarters as another takeover target was 14 per cent lower at BFr9,920, while La Générale itself collapsed 12 per cent at BFr3,825.

Profit-taking by foreign investors appears to have been partly to blame – the market as a whole has risen no less than 20 per cent since the beginning of the year – but analysts were mostly at a loss to explain the sudden change of sentiment in a hitherto buoyant environment.

While there is a widespread feeling that the bourse is set for a major tumble when the Société Générale saga is complete, it may be premature to conclude that the excitement is now over. Leading shares recovered some of their poise later in the day and, most significant of all, the Générale price bounced back to end just BFr100 lower at BFr4,260 on 1.4m shares traded.

Closing indices were not available as bourse trading hours were extended to cope with the heavy volume of activity.

One stockbroker reported "quite active" off-bourse trading in the morning – suggesting perhaps that the main camps and their allies are still picking up uncommitted blocs – while other investors could be anticipating that Mr Carlo De Benedetti will increase the price of his partial offer above the BFr4,000 which was promised earlier in the week.

EUROPE

Trade data caution curbs activity

INVESTORS in Europe continued to shelter on the sidelines yesterday, wary of buying before Friday's release of US trade data. Uncertainty in overseas markets and a lack of direction on many bourses offset gains by selected export-oriented industrials in response to the higher dollar.

FRANKFURT turned mixed with an easier bias. The Commerzbank index shed 5.5 to 1,263.4 and the FAZ index eased 1.33 to 414.65 in moderate turnover.

Electricals were higher as the dollar rose to DM1.70. AEG put on DM3.50 to DM183.50 and Nixdorf climbed DM7 to DM498.

In cars, Daimler surged DM14.5 to DM592 and VW added DM2 to DM211.50 while Porsche shed DM4 to DM399.

Retailers gained ground while banks, chemicals and other sectors were little changed or modestly lower.

Bond prices eased in quiet trading as they tracked US Treasury bonds lower. The Bundesbank bought DM111.7m of paper after selling DM82.5m on Monday.

PARIS saw a second day of profit-taking which left share prices lower after an active session. The CAC index shed 5.2 to 271.2 as investors turned cautious after the recent run on possible takeovers.

Electronics and engineering issues, recently inflated by takeover speculation, posted the sharpest drops. TRT led the sector lower with a fall of FFr52, or 5.8 per cent, to FFr840 and Legrand eased FFr20 to FFr2,080.

Cie du Midi, thought to be the target of one or more stake build-ups, ended FFr18 higher at FFr1,368 after touching a high of FFr1,380. According to a press report, Generali of Italy has built up an indirect stake of more than 5 per cent.

Blue chip stocks were mixed to lower, leading retail stocks were mostly higher while portfolio and bank stocks were broadly lower.

ZURICH eased in subdued activity. The Crédit Suisse index slipped 2.0 to 424.6.

The firmer dollar failed to inspire buying interest in export-related stocks. In chemicals Ciba-Geigy eased SFr50 to SFr2,570 and Sandoz shed SFr50 to SFr12,200. Machineries were little changed.

Insurers and banks slipped while holdings were generally lower. Swiss bonds closed steady to higher in fairly active trading.

AMSTERDAM was little changed after a lacklustre session, enlivened only by domestic interest in publishing stocks. The ANP-CBS index slipped 0.4 to 218 in meagre turnover.

Signs that a planned merger between Audet and VNU would succeed lifted Audet Fl 3 to Fl 266 and VNU 80 cents to Fl 66. Elsevier closed Fl 1 firmer at Fl 44.70 as speculation continued over who is holding large blocks of the stock changing hands in recent months.

MILAN dropped to a new 1988 low as share prices fell across the board. The MIB index sank 18, or 2.02 per cent, to 874 as investors continued to unload shares.

Some defensive intervention by institutions stemmed an even sharper fall.

News that Ferruzzi would proceed with its sweeping corporate restructuring despite last week's turmoil on the market sent shares lower. Montedison lost L16 to L1,032.

MADRID gave back its gains of the previous day as a wave of sell orders dragged all sectors lower. The general index lost 2.29 to 245.06.

STOCKHOLM fell as profit-taking got the market off to a weak start and investors decided to wait for Friday's US trade data before taking new positions.

The Affaersvaerlden general index lost 8.9 to 749.0.

S-E Banken rose NKr2 to NKr140 after posting better than expected profits. Ericsson closed NKr3 down at NKr200 and after the close announced a 19 per cent rise in pre-tax profits for 1987.

OSLO moved lower but good gains in oils blunted a sharper decline. The all-share index shed 1.04 to 254.52 in brisk trading.

Lifted by rising crude prices, Norsk Hydro advanced NKr3.50 to NKr160 and Saga Petroleum put on a further NKr3 to NKr102.

London

A WELCOME rally in UK equities following Monday's sharp fall was led by recoveries in internationals such as Glaxo, Shell and Unilever.

ICI was in better shape as worries over a rights issue receded, and Reuters, whose trading figures are due, regained some ground after recent weakness indicative of the shakeout in the global securities business.

Volume, however, remained very low. The FT-SE 100 index climbed above the 1,700 level to end 12.7 higher at 1,707.2.

SOUTH AFRICA

A RISE in the financial rand and a further weakening in the bullion price left gold stocks in Johannesburg easier after a day of quiet and featureless trading.

Among leading golds, Vaal Reefs eased R1.50 to close at R265.50 and South Vaal lost 50 cents to R118.50.

Among cheaper issues, E Dagga gave up 50 cents to R13.50 and Leslie shed 10 cents to R3.50.

There was some institutional and professional interest in selected shares, but volumes were very small. Driefontein gained 50 cents to R33, Ergo also put on 50 cents to R15 and Kinross was up R1 at R34.

In mining houses, Anglo American remained steady at R46 but Gencor shed 25 cents to close at R42.50. Diamond share De Beers slid 75 cents to R23.50.

Industrials ended narrowly mixed in quiet trading. South African Breweries edged up 10 cents to R16.10, but Barlow Rand eased 10 cents to R18.75.

ASIA

Wary investors take profits after falls overseas

Tokyo

OVERNIGHT falls in New York and London kept institutional investors on the sidelines in Tokyo yesterday and shares met profit-taking from the start of the session, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei stock average ended 109:33 lower at 23,662.27 in thin turnover of 419m shares. Declines outnumbered advances by 615 to 278, with 149 issues unchanged.

Leading brokerage houses saw no large-lot buy orders, but smaller securities companies were busy with speculators' orders for small and medium-capitals.

There was interest in general contractors which had won large contracts from the Tokyo Metropolitan Government. Taisei advanced Y19 to Y906, while Kajima gained Y20 to Y1,480.

Kobe Steel was the most heavily traded issue on a volume of 20.45m shares and climbed Y5 to Y305. Nippon Steel was also actively traded and added Y1 to Y388.

Among high technology issues, Hitachi rose Y20 to Y1,250 in thin turnover and NEC fell Y20 to Y1,950. Nippon Telegraph and Telephone (NTT) was down Y10,000 at Y2.24m.

Financials drew light buying toward the close. Sumitomo Bank rose Y50 to Y3,670 and Sumitomo Trust and Banking added Y70 to Y3,140.

Government bonds opened lower, mirroring the drop in New York, but speculative buying later in the day initiated a modest rally and bonds ended higher for the first time in three sessions.

On the Osaka Securities Exchange, investors retreated to the sidelines and share prices closed lower in a market dominated by profit-taking. The OSE stock average gave back most of Monday's gain, closing 105.19 lower at 24,099.12.

Australia

JITTERY investors maintained their selling pressure after poor performances on overseas markets the previous day and forecasts of a further fall in the bullion price depressed mining stocks, leaving share prices sharply weaker in Sydney.

The All Ordinaries index fell 22.6, or 1.8 per cent, to 1,180.6 while the gold marker dropped 34.2, or 2.4 per cent, to 1,374.8, its lowest level since September 1986. The All Industrials posted its biggest fall of the year, down 34.9 points, 1.7 per cent, to 1,926.2.

Among miners, Renison lost 50 cents to A$6.40, Metana gave up 40 cents to A$6.10, Bougainville fell 15 cents to A$2.75 and Western Mining dropped 11 cents to A$3.92.

Developers, media and food stocks were the worst hit among industrials. News Corp lost 60 cents to A$10.40 and Lend Lease fell 35 cents to A$11.10.

Singapore

WARY players continued their sell-off, discouraged by a lower Wall Street and the fall in Tokyo. Concern over the political uncertainty in Malaysia and the residual worries over the US Government's withdrawal of duty-free trading privileges also depressed activity.

The Straits Times industrial index lost 7.40 to 851.82 in a very subdued market with few buyers to be seen.

Price changes were generally narrow although some blue chips posted double-digit falls. Metro dropped 30 cents to S$5.20 and DBS lost 15 cents to S$9.10.

Hong Kong

A SUSTAINED sell-off by foreign institutional investors erased early, modest gains made on bargain-hunting and short-covering and share prices ended mixed with an easier bias. The Hang Seng index slipped 0.52 to 2,223.04.

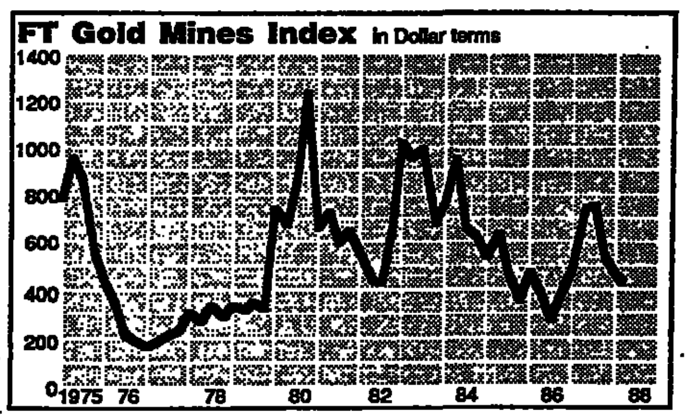
Banks managed some modest gains while property and commercial shares ended narrowly mixed.

Kenneth Gooding considers how much further mining shares may have to fall

Counting the cost of the gold price plunge

"INSTITUTIONAL INVESTORS know just how much they have lost on their gold mining shares. They don't need to be reminded again", said one harassed analyst when questioned about prospects in the wake of the recent steep fall in the gold bullion price.

But that has not stopped others from making some unpalatable points.



The bullion price peaked at $502 a troy ounce on December 14 last year. Since then it has come back below the psychologically important $450 an ounce level and touched $435 at one point yesterday.

Most technical analysts agree that the next support level for gold bullion is in the $380 to $400 an ounce range. Bullion closed yesterday in London at $440.

Given that gold mining shares have fallen on average by 30 per cent since the bullion price peaked, how much further do they have to fall before they have discounted the likely bullion base of $380-$400?

Mr Mark Wood, one of the mining team at Kleinwort Grieveson Securities, points out that when the price of bullion was last at $380-$400 – between November 1986 and February last year – the average index levels for gold stocks were higher than today. For example, the FT $ Gold Mines Index averaged 461 against 437 last Monday (having come down from a 1987 peak of 800).

But this does not mean gold shares have fallen enough, he suggests.

Shares outperform bullion in either direction by an approximate ratio of three to one. This is because shares discount future gold prices (up or down) and because small changes in the gold price can have a very large impact on a company's profit or loss as production costs are constant, Mr Wood says.

In addition, the period under review covers the October 19 crash which wiped about 30 per cent off equity valuations in any case.

"We conclude that both the gold price and gold shares have further to fall", he adds. Kleinwort's "target" level for the FT $ Gold Mines Index is 300, indicating another big fall in the average price of gold equities.

Mr Julian Baring, analyst at James Capel, approaches the same problem in a similar way. What if gold bullion should fall to $300 an ounce, at which level it has found support in the past? he asks.

"We think that the next low in the gold price will be accompanied by a gold mines index of 0.75 times the gold price. So at $300 the index could fall to 225", says Mr Baring.

If the gold index falls to 225 this time, 72 per cent will have been written off peak prices.

However, depressed investors should be aware that not all analysts agree that the bullion price will continue to drop. Miss Rhona O'Connell at Shearson Lehman Brothers says, for example: "We see no reason to be panicked and expect the market to consolidate in the $445-$460 an ounce range".

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY FEBRUARY 9 1988					MONDAY FEBRUARY 8 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (93)	91.76	-2.1	77.89	85.96	5.28	93.74	79.19	87.76	180.81	85.36	105.63
Austria (16)	86.08	-0.3	73.07	76.18	2.75	86.33	72.93	76.18	102.87	85.53	96.01
Belgium (48)	112.50	-1.5	95.50	99.05	4.81	114.24	96.51	100.30	134.89	94.63	105.15
Canada (127)	108.87	+0.8	92.42	99.80	3.26	108.05	91.28	99.06	141.78	98.15	117.00
Denmark (38)	114.32	-0.5	97.04	101.03	2.93	114.91	97.07	101.35	124.83	98.18	119.04
Finland (23)	110.56	+0.4	93.85	95.64	1.78	110.16	93.06	95.28	-	-	-
France (123)	78.26	-0.4	66.43	70.40	4.24	78.60	66.40	70.55	121.82	72.77	110.48
West Germany (94)	69.90	-0.6	59.34	61.78	2.99	70.32	59.41	61.97	104.93	67.78	91.21
Hong Kong (46)	85.06	+0.2	72.20	85.22	4.97	84.90	71.72	85.04	158.68	73.92	106.17
Ireland (14)	107.17	+0.7	90.98	96.46	4.71	106.41	89.89	95.50	160.22	93.50	116.14
Italy (94)	62.99	-2.3	53.47	58.85	3.26	64.50	54.49	60.09	112.11	62.99	100.21
Japan (457)	148.20	-0.4	125.81	120.99	0.58	148.87	125.76	121.06	161.28	100.00	115.96
Malaysia (36)	107.83	-1.5	91.53	107.04	3.47	109.46	92.47	108.66	193.64	93.76	123.67
Mexico (14)	137.94	+0.3	117.10	344.17	1.03	137.60	116.24	342.41	422.59	90.07	121.38
Netherland (37)	96.79	+0.7	82.16	84.33	5.34	96.16	81.23	83.54	131.41	87.70	104.28
New Zealand (24)	67.31	+0.6	57.14	54.38	6.04	66.90	56.51	53.54	138.99	66.89	88.76
Norway (24)	99.35	-0.2	84.34	86.61	3.15	99.52	84.07	86.69	185.01	95.51	111.01
Singapore (26)	98.94	-0.7	83.99	92.10	2.60	99.68	84.21	92.72	174.28	81.21	109.58
South Africa (61)	118.72	-1.5	100.78	76.34	5.46	120.57	101.85	76.40	198.09	100.00	114.12
Spain (43)	134.41	-1.1	114.10	115.93	3.51	135.87	114.78	116.88	168.81	100.00	114.47
Sweden (32)	105.87	-1.3	89.87	95.01	2.66	107.27	90.62	96.19	136.64	88.50	97.52
Switzerland (53)	77.14	-1.5	65.48	66.59	2.50	78.34	66.18	67.29	111.11	73.65	98.58
United Kingdom (328)	123.36	+0.2	104.72	104.72	4.48	123.09	103.98	103.98	162.87	99.65	116.94
USA (586)	102.78	+1.0	87.25	102.78	3.64	101.78	85.98	101.78	137.42	91.21	113.54
Europe (967)	97.01	-0.3	82.35	84.49	4.03	97.32	82.22	84.44	130.02	92.25	106.74
Pacific Basin (682)	143.57	-0.5	121.87	118.27	0.79	144.25	121.86	118.39	158.77	100.00	115.11
Euro-Pacific (1649)	124.96	-0.4	106.07	104.81	1.80	125.49	106.01	104.86	143.65	100.00	111.78
North America (713)	103.10	+1.0	87.52	102.62	3.61	102.11	86.26	101.64	137.55	91.68	113.72
Europe Ex. UK (639)	80.66	-0.8	68.47	71.73	3.61	81.33	68.71	72.13	111.97	78.89	94.45
Pacific Ex. Japan (225)	87.67	-1.1	74.42	83.02	5.03	88.62	74.87	83.82	164.03	82.92	104.16
World Ex. US (1851)	124.35	-0.4	105.56	104.46	1.88	124.86	105.48	104.49	143.38	100.00	112.00
World Ex. UK (2109)	115.28	+0.0	97.85	103.75	2.26	115.22	97.34	103.47	138.82	100.00	112.19
World Ex. So. Af. (2376)	115.96	+0.1	98.44	104.03	2.45	115.88	97.89	103.71	139.47	100.00	112.60
World Ex. Japan (1980)	100.54	+0.4	85.35	95.18	3.82	100.12	84.58	94.63	134.22	92.98	111.01
The World Index (2437)	115.98	+0.1	98.46	103.84	2.47	115.91	97.92	103.52	139.73	100.00	112.61

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Amendment to indices for Feb. 8 applied to the Following: Belgium, Switzerland, the regional indices and the World index.
Latest Austrian prices were unavailable February 9.

SECTION IV

FINANCIAL TIMES SURVEY

WORLD MOTOR INDUSTRY SERIES

Demand for four-wheel drive vehicles is increasing almost throughout the world, with growth led by cars intended for use on the highway. Fierce competition is already bringing down costs in the cars sector, as John Griffiths reports.

Race to sell new models

"THERE IS no sign of the trend slowing down. If anything, our forecast could even prove conservative."

The comment, from Mr John May, of vehicle market analysts Automotive Industry Data, sums up the continuing rapid growth of four-wheel drive vehicle sales in Western Europe, led by passenger cars intended for highway use only.

Nine years ago, four-wheel drive sales in the region totalled 65,000, almost all of them vehicles of the utility type for off-road use typified by the Land Rover.

While statistics have yet to become available for all of 1987, Mr May is confident that sales well exceeded the 340,000 vehicles sold in 1986, about half of which were passenger cars in that year.

Firm pointers to this being the case are provided by trends in four of Western Europe's main markets. In the first nine months of last year, 4WD registrations in France rose by almost 20.3 per cent, compared with the same period a year previously, to 23,815 units; in the UK there was a 12.6 per cent increase in the first 10 months, to 41,435; in Italy a near-doubling in the first half to 31,100, and in West Germany a 10 per cent rise in the first nine months to 72,745.

These figures continue to support AID's forecast, first made over two years ago, that by 1991 West European 4WD sales will reach almost 800,000 units, of which about 60 per cent will be passenger cars.

The proportion of total 4WD sales taken by car types continues to increase, and is now moving towards the 45 per cent level, compared with 41.2 per cent in 1986 and 40.5 per cent the year previously.

This trend is being encouraged by a number of factors. One is that manufacturers are falling over themselves to become well represented in this sector of the market. Thus there has been a proliferation of new models in the past 12 months offering the 4WD option, and there are many more in the pipeline.

As ever, Japanese manufacturers have been making most of the running in the 4WD passenger car sector, with all-wheel-drive on course for being offered as a version on every significant model range.

These include even relatively low-cost models such as the Nissan Sunny and embrace other Japanese cars like Toyota's Camry and Corolla, Mazda 626 and Honda Shuttle.

Among European producers, Audi/Volkswagen has long been present in the 4WD car market: its pioneering Quattro of the early 1980s was the forerunner of a complete range of Audi 4WD models. Otherwise, Europe has been relatively slow to respond - but is now fighting back hard.

Among the European 4WD newcomers are the Renault Espace Quadra, a version of the French producer's "people carrier" manufactured jointly with aerospace giant Matra, launched only last month.

Shortly, Renault is also expected to announce a permanent 4WD system for its 21 estate car, followed by versions of the 21 saloons.

The Peugeot group is expected to offer 4WD versions of its new 405 saloon later this year, while Opel, Lancia, Fiat, Ford and other volume producers are travelling rapidly down the same route.

Another factor is that costs of 4WD systems are starting to come down as economies of scale in production begin to take effect. Precise comparisons of the on-cost to the consumer remain difficult, because of a tendency to link 4WD with particularly high specifications for the rest of the vehicle compared to two-wheel drive counterparts.

However, the approximately 20-25 per cent premium still commanded is expected to continue to fall from levels of about 30 per cent a year ago to around 10 per cent by the early 1990s.

To some extent, however, the precise premium will be governed by the complexity of each individual system. For example, the application of traction control to 4WD systems on more sophisticated models could be expected to remain an expensive feature for the forseeable future.

Electronically-based, the working of traction control can best be compared to anti-skid braking in reverse in that it prevents the wheels losing grip and spinning under fierce acceleration.

There is also no sign, so far at least, of would-be buyers being put off by the complexities of all-wheel drive in terms of their potential operating costs.

This is an area of potentially major concern. All 4WD systems are complex and could be expensive to repair. However, their durability and reliability record so far appears to be good.

The situation with utility and sports all-wheel drive vehicles - those not based on cars - is slightly different.

Here growth rates are much less pronounced, with the exception of some individual models which have become cult vehicles, like the Suzuki SJ 410, the small Jeep-type vehicle now built at the Land Rover Santana plant in Spain as well as imported from Japan.

In some ways, this should not be too surprising, since the sector has a far longer history than that of 4WD cars. Indeed, the UK-produced Land Rover, an off-road "work horse" to much of the world, this year celebrates its 40th birthday - though in vastly different form.

The Land Rover is pre-dated by the true Jeep, now produced by American Motors Corporation, the name of which - much to the company's irritation - has tended to become a general term for a host of, mainly Japanese, imitators.

For both American Motors and Land Rover, the UK State-owned manufacturing concern, these are months in which the great changes sweeping through the industry stand to be keenly felt.

For financially-troubled American Motors, last autumn was a watershed. It was then that its shareholders approved a buy-out by Chrysler Corporation, the US' third-largest vehicle maker, for some $1.6bn.

It was the biggest merger in US motor industry history and entailed, also, the withdrawal of Renault - which had a 46 per cent stake - from carmaking in North America.

The deal was particularly important in terms of the world all-wheel drive market because it gave Chrysler at a stroke the presence it had been planning to develop on its own in the sector.

What becomes its Jeep Eagle division will now concentrate on building on American Motors' already strong presence in all-wheel drive markets. Chrysler envisages Jeep sales of at least 225,000 units a year.

European markets are certain to feel the effects of the takeover, because the weakening of the dollar has made Europe an exceptionally attractive region for a US export drive at a time when the strength of the yen is causing mounting difficulties for Japanese 4WD producers.

This year stands to be a watershed, also, for Land Rover because options are shortly to be set out about its potential future ownership. Mr Graham Day, chairman of the parent Rover Group, has said that in the first half of this year he will deliver to Lord Young, the UK's Trade and Industry Secretary, his view of the various options open to the Government on the privatisation of both Land Rover and the Austin Rover cars group.

Mr Day so far has given no indication of his thinking as to whether - at one end of the spectrum - a flotation is possible, or whether a sale to, or merger with, another vehicles group is possible at the other.

Land Rover, as a company, is still making modest profits. This year it is also benefiting from the launch, last March, of its luxury Range Rover 4WD vehicle in the US, where it is on course to meet its target of 3,000 sales in the first year.

However, the exceptionally competitive nature of the utility market in the 4WD sector is exemplified by the fate of the Land Rover vehicle itself. For the first time ever, production of the Land Rover was overtaken last year by the Range Rover, and sales worldwide slipped to just under 20,000 - not much more than a third of the peak achieved more than a decade ago.

The problem is not so much with the Land Rover itself, as with the way in which the market has been fragmented by a plethora of Japanese products.

These range from the Nissan Patrol, produced at Nissan's 80 per cent owned Nissan Motor Iberica subsidiary in Spain (and thus free of controls on Japanese imports), down through a progressively smaller range of vehicles like Daihatsu's Four-Trak to the diminutive Suzuki SJ 410 which, like the Patrol, is classified as being of European origin and thus also not subject to import restraints.

There is nothing on the horizon to indicate that conditions will become any easier for Land Rover or any other producer in the sector, including companies such as Steyr-Daimler-Puch of Austria, which makes the Mercedes G-wagen, for the pressure from Japanese manufacturers continues to be relentless.

At the end of last year, for example, Nissan introduced an all-new version of the Patrol in Japan, where it is called the Safari.

Meanwhile Isuzu, in which General Motors has a 40 per cent stake, has just launched heavily-revised models of its Trooper range

For Japanese producers no less than their US domestic competitors, it is the North American market which remains the major battleground. It is not hard to see why. Total demand in the US crossed the 1m units a year threshold at the end of the 1970s and has stayed there ever since.

First triggered by an extraordinary upsurge in demand for recreational 4WD machines, there is no sign of the demand diminishing. In contrast, despite the severe weather experienced in the northern US, sales of passenger cars using 4WD are still in their relative infancy, at little over 10 per cent of the total.

Four-wheel Drive

Picture: the Renault Espace Quadra, latest version of the Matra-built "people carrier."

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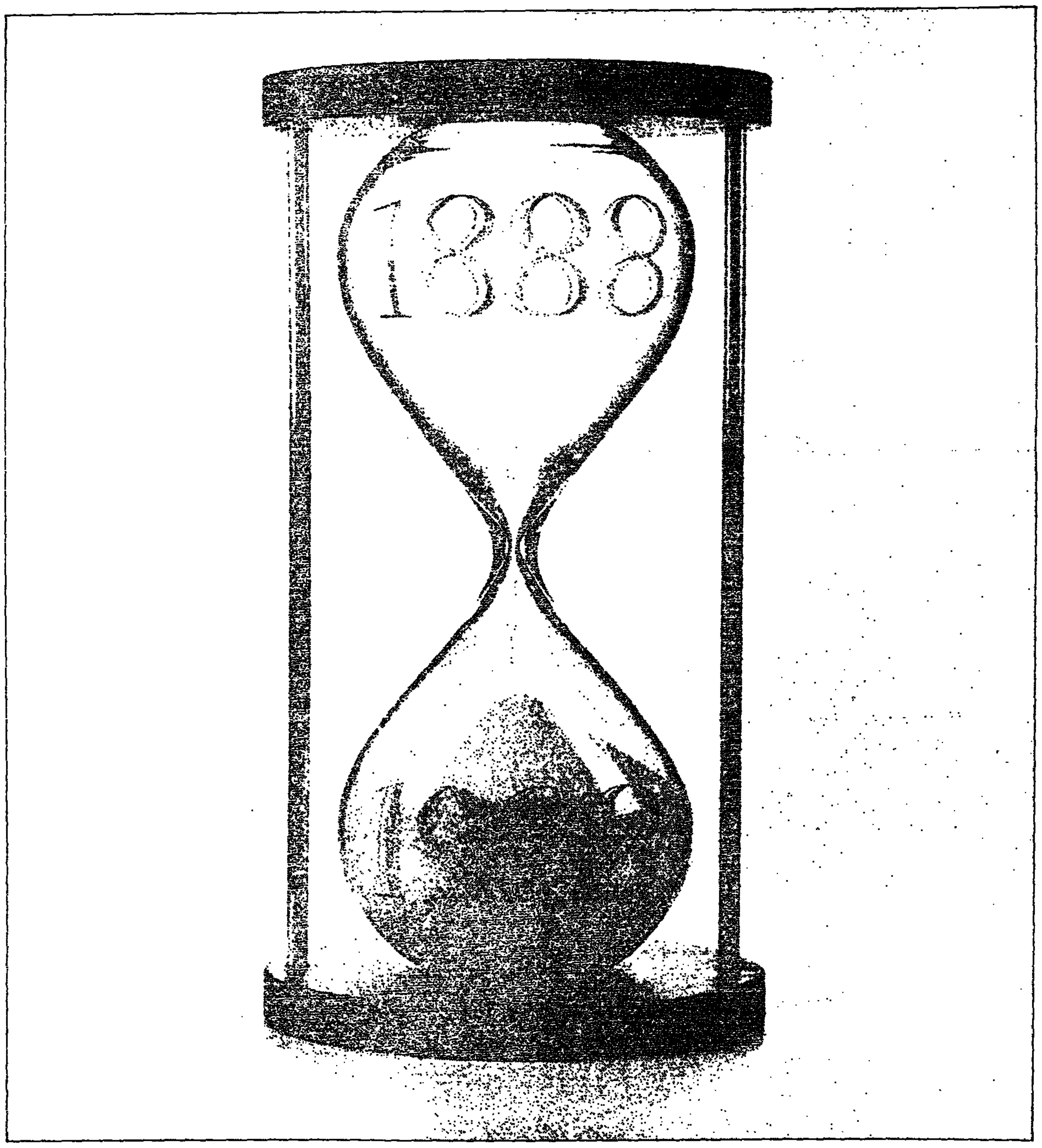
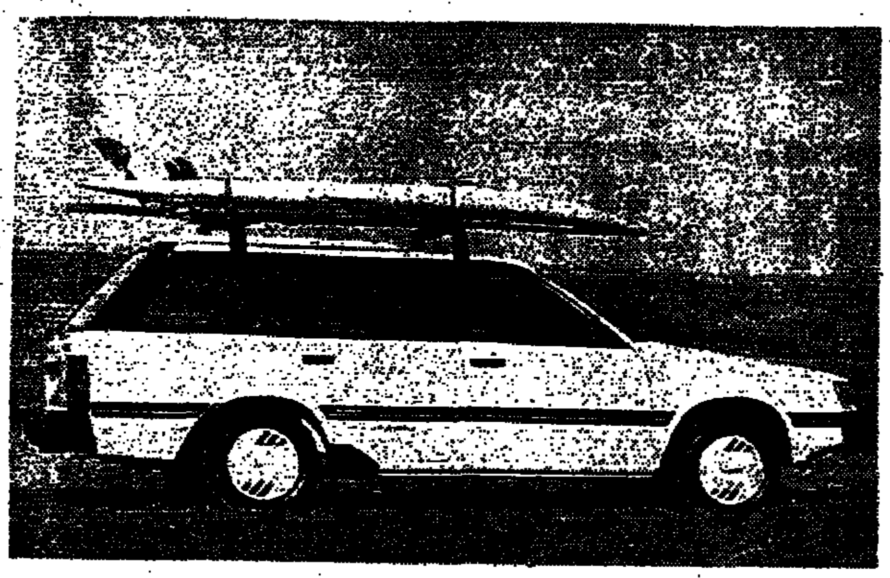
The Once-in-a-Century Survey

Monday, 15th February 1988





Ian Robertson on the rising sales of all-wheel drive cars

High demand in Europe

ACROSS EUROPE, sales of four-wheel drive passenger vehicles rose in 1986 to account for a 3 per cent market share. Of this figure 1.7 per cent consisted of off-road models with the balance - just over 150,000 units - comprising all-drive saloon cars.

Although a minority sector, sales of car-based four-wheel drive models have been the focus of rapid growth recently. Since Audi's Quattro first took the stage nine years ago, sales in the sector have multiplied from under 20,000 units in 1980 to levels approaching a quarter of a million in 1987, with forecasts of more than half a million sales by 1990.

Across Europe, the demand for 4WD saloons remains consistently high. In Switzerland, the sector accounted for 14 per cent of half-year sales in 1987 (23,000 units) - up 25 per cent over the previous year.

This picture of booming demand is headed by Europe's major performance market, West Germany, where the sector exceeded 70,000 sales by September. Sales for the year are forecast at 100,000 units as additional all-drive models become available over the peak closing months of the year.

In the UK, estimates indicate sector sales approaching 50,000 units in 1987 compared with 60,000 in Italy, where four-wheel drive sales have almost doubled. From France there are reports of a 20 per cent increase to 33,000 units for the year.

There are several reasons for this accelerated growth. The first is the emergence of lower-cost mechanical systems such as the viscous coupling arrangement employed by VW's Golf Synchro. It is compact and elegantly simple.

Where Audi's permanent 4WD Quattro systems can add between £3,500 - £4,000 to the price of completed vehicles, the on-cost for the Synchro's layout is under £1,500.

This has brought 4WD rapidly down-range and encouraged the emergence of a new market whose buyers face the intermittent threat of driving in low-friction conditions such as mud, ice or packed snow.

Its customers want all the comforts of a standard saloon and the additional price which they are prepared to pay for 4WD is strictly limited.

This is in stark contrast to the high-performance 4WD saloon sector where purchasers' priorities centre on the efficient transfer of substantial engine power across the road wheels. Here budgets are considerably more elastic.

To cater for these two sectors, European manufacturers have responded with a proliferation of new models swelling a sector previously dominated by Japan.

Ten per cent of Audi's output is currently 4WD with the third generation of this option available across the range. Following the adaption of mid-range Golf and Jetta models, VW is preparing to apply the same formula to performance versions of Golf.

Price considerations - and competition from Japan - exclude Polo. Ford's Sierra XR 4X4 currently heads Europe's all-drive saloon sector and the system has also been earmarked for future performance variants of Escort and Fiesta.

GM's forthcoming Cavalier replacement will include a 4WD option on a 140mph version scheduled for 1989. It will also appear later in the year on the new Manta Coupe.

Fiat has scooped the budget end of the market with its 4WD Panda. Other models from the group include Y10, Delta, Prisma and Alfa Romeo's 33 estate, which offers part-time manual selection. A 4WD option for top 164 models is reported to be "at least two years away."

Fiat's initial replacements for the Ritmo/Strada are to be followed up by a 2 litre 16-valve version which will offer permanent 4WD.

Peugeot is also preparing to add two all-drive variants to its new 405 range. Due in 1989, these will include a low-cost model as well as a high-performance Mi16 version.

In the sports sector, Jaguar recently signalled its 4WD intentions by patenting a special variable-torque system. The XJ40 is expected to be equipped with the system by 1990 and it is also to be fitted to the future F-series model.

BMW, as well as fitting a viscous coupling arrangement on its 325i saloon and touring variants, will offer an all-drive version on its 5-series replacement.

The Munich company is also to break new barriers of technology with its new 6-series models, to appear in 1989. These will feature full-time 4WD linked, for the first time, directly to the vehicle's engine management system.

The advent of electronics is expected to herald the next major shift in the provision of traction control moving it further down across Europe's volume markets in the 1990s. It is expected to move ahead in tandem with the provision of cheaper anti-lock brake (ABS) systems.

The same electronics and systems may be employed with the provision of a road-wheel sensor linked to the engine.

At the forefront of this development is Bosch's ASR system which has two primary features. It offers stability control by sensing wheel slip using available ABS electronics. The system then intervenes to limit engine output and the amount of torque fed through to the road wheels.

In this case the throttles are actuated electronically and override any pressure on the accelerator pedal by the driver. ASR also offers brake intervention.

If a driver shuts off acceleration suddenly on a bend, this may spin the rear wheels. Sensors detect this and operate in the opposite mode to neutralise engine braking.

The ASR system has already made its first appearance on top Mercedes models and on the catalyst version of BMW's 750L It will be applied to non-catalyst versions in the middle of 1988 and a system is also under preparation for the 730 and 735 models.

Volvo has produced demonstration vehicles with traction control and there are reports of a replacement for Saab's 900 which will offer part-time 4WD and advanced traction control in mid-1989. So far the system is available only for rear-wheel drive cars but it has several advantages for the "marginal" 4WD customer.

It is considerably cheaper, consisting basically of a "black box" addition to existing ABS hardware. Where ABS might add £800 to the price of a vehicle, the additional on-cost for traction control would be around £200. Where a mechanical 4WD system takes up considerable valuable space, traction control requires only bolt-on electronics.

There are significant savings in weight - particularly important in the US with its weight defined taxation limits - and the heavier the car the greater the emissions problem.

It is forecast that by the mid-1990s 35 per cent of cars made in Europe will have ABS. Some producers were fitting ABS to 50 per cent of their output in 1987. Traction control could soon enjoy similar growth.

Far left: Suburu's 4WD Turbo Estate, latest model from the manufacturer which started the 4WD trend for ordinary cars; Above: the Volkswagen Syncro with its elegantly simple lower cost system; right: Fiat Panda, which has scooped the budget car market; and Ford's Sierra 4X4, current best seller

Profile: FF Developments

Long road to success

The FFD board: from left: Robin Price, engineering director; Tony Rolt, chairman; John Braithwaite, managing director; Stuart Rolt, executive vice-chairman

THE ORIGINS of the technology which lies behind the current four-wheel drive boom can be traced back to the motor racing circuits of pre-Second World War Britain.

It was on the race tracks that a young racing driver, Tony Rolt, in company with engineer Freddie Dixon, first began to explore the 4WD concepts that would lead - nearly 40 years later - to the formation of FF Developments.

And it is the work of FF Developments, based near Coventry with a staff of fewer than 60, which has been behind the emergence of 4WD versions of Ford's Sierra and Scorpio; the BMW 3-Series, and Volkswagen's Golf Syncro hatchback, among others.

The same applies in the exceptionally stressful world of motor rallying, where 4WD systems have had to cope with transmitting 500 brake horsepower or more over rough, transmission-jarring surfaces. The world championship-winning Lancia Delta S4 and Peugeot 205 T16 rally cars were users of FFD technology, as were Ford's RS 200 and MG's Metro 6R4.

To the list can be added at least three Japanese vehicle makers, Toyota, Mazda and Mitsubishi; plus General Motors, Chrysler, Fiat, Renault and even Land Rover.

Only last month, in a move likely to transform the nature of FFD's operations, a "substantial" minority stake was taken by the US components maker Acustar, a \$3bn a year turnover associate company of Chrysler headed up by Chrysler chief executive (and former Ford of Europe chairman) Mr Robert Lutz.

Under the agreement, FFD will provide Acustar with a range of drive systems-related design and engineering services into which it has diversified from its early 4WD roots.

The rapid growth now being enjoyed by FFD is a long way from the decision of tractor magnate Mr Harry Ferguson to back Tony Rolt's and Freddie Dixon's ideas in the immediate post-war period. In 1950 he set up Harry Ferguson Research to put 4WD development on a proper footing.

However, Dixon left the company shortly afterwards, and through the 1950s and much of the 1960s 4WD for road-going cars attracted little interest. An exception was the Jensen Interceptor FF, a luxury sports car using a Ferguson-developed 4WD system. But the production life of the car was fairly brief.

In 1971, Harry Ferguson Research wound down 4WD activities and Rolt left, accompanied by several other engineers, to form FF Developments. The parting was amicable, and FFD was given a licence to develop and exploit any Ferguson patents.

These included the viscous coupling at the heart of FFD's current drive systems, and which Rolt's team had only just perfected having been given the idea for it by a child's toy.

The coupling, with its ability to control the speed between two rotating shafts in a progressive manner, without sudden stresses, attracted growing interest throughout the 1970s and now, FFD-based systems incorporating it have become virtually an industry standard.

Under operating conditions, the unit automatically ensures that optimum power is distributed to whichever axles, or even individual wheels, are offering most grip.

As demand has grown, so have the resources of FFD to provide wider engineering services. Its activities now take in prototype development, transmissions, suspensions, axles, brakes, emissions control and chassis work.

Last year, Mr Stuart Rolt, executive vice-chairman of FFD and son of its founder, set the scene for last month's shareholding move from Acustar by expanding the company's activities into North America by setting up a subsidiary in Detroit. This was to shorten the communication lines of engineering work already being undertaken for US companies.

The company recently moved into a new 30,000 sq ft plant at Coventry, double the size of the previous facilities.

Both Stuart Rolt and Acustar's vice-president for engineered products, Mr David Hunter, refused to elaborate on the size of the shareholding being taken in FFD or its value at the signing ceremony last month.

Negotiations had been going on since last summer, the eventual agreement being "certainly the most significant step the company has taken since its founding," according to Mr Rolt. However, he insisted that FFD would retain its autonomy as a British company with majority British ownership.

Acustar itself has 28,000 employees and 29 plants, produces a wide range of automotive components for many companies other than Chrysler.

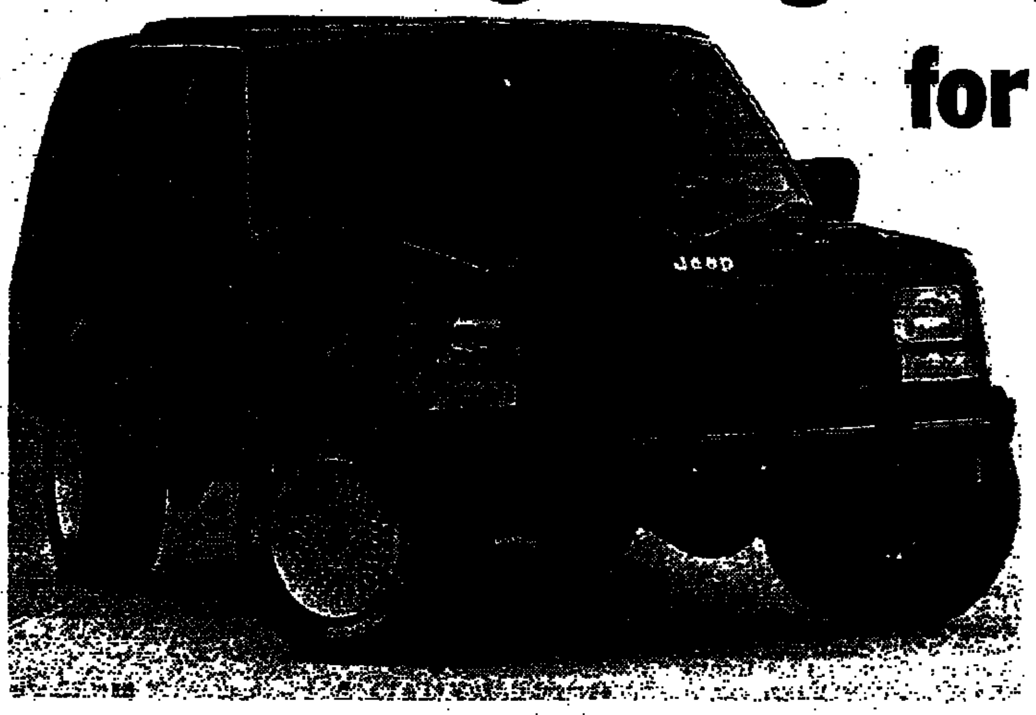
With its position already well-entrenched in Europe, and the new US link, FFD is now looking hard at setting up shop in the toughest market of all - Japan.

John Griffiths

FOUR-WHEEL DRIVE 5

US manufacturers are having to come to grips with new sales patterns, says **Dan McCosh**

Market growing in light trucks sold for personal use



FOUR-WHEEL DRIVE light trucks were the strongest sector of an overall soft US vehicle market in 1987, the latest evidence that former passenger car owners in the US increasingly are abandoning traditional transport for vehicles originally designed strictly for commercial use.

Marketing experts call the phenomenon the "crossover" market, meaning former car owners who are buying either vans, light utility vehicles or small trucks rather than a sedan or station wagon that would have been the normal choice.

It is a trend that has boosted sales of light trucks to a record 4.7m units in 1987, about one in three vehicles sold.

Less noticable is that nearly a third of the light trucks featured four-wheel drive; 1.4m, up from just 1.1m in the category in 1986. Ten years ago, four-wheel drive vehicles were limited to specific commercial applications such as surveying, roadbuilding and snowploughing, plus military use, but today the biggest growth in new buyers may be young women.

"Women seem to like the short wheelbase of four-wheel drive utility vehicles - it's easier to park," says John D. Rock, general manager of GM's GMC Truck Division. "They sit up high, for good visibility, and like the four-wheel drive feature for security."

The division, which formerly concentrated on commercial sales, is coming to grips today with the growth in trucks bought for personal use. But Mr Rock does not claim credit for predicting the market. "We woke up one day and there it was," he says.

The Wrangler Sahara, Jeep's latest model, echoes the orginal wartime utility design. Far left: the Jeep Cherokee Limited four-door, introduced in 1987, will also be offered in a two-door version

Changes in American living patterns also are fuelling the trend, as new housing is built at increasing distances from major cities. In addition, there is a growing cultural phenomenon of the four-wheel drive truck or utility vehicle displacing traditional sports cars as symbols of an active, youthful lifestyle.

But this shift in consumer taste has caused considerable confusion among marketing groups accustomed to a clear distinction between passenger cars and light-utility vehicles.

Currently, strength in the four-wheel drive market is led by light utility vehicles, similar to Chrysler's Jeep - closed-body, two-door, boxy hybrids derived from the original wartime vehicle. Today they are pressed into service on beaches, in the snowbelt for skiing and in suburban areas to carry groceries.

Two of the most recent entries, the $35,000 Range Rover imported from Britain, and the $7,000 Suzuki, imported from Japan, have proved successful by exploiting separate ends of the four-wheel drive status symbol market.

Range Rover sold 2,500 of the pricey utility vehicles, primarily on the East and West coasts. Suzuki's $8,000 Samurai, an immediate hit with young, trendy buyers, nearly outsold BMW in the US with 82,000 sales in its first year on the market.

With the interest in four-wheel drive in utility vehicles and light trucks, there have been significant efforts to test interest in passenger cars as well. Toyota, GM, Ford, Subaru and Audi all launched new four-wheel drive passenger cars in the US in 1987.

So far, few have been a dramatic sales success, but they are seen as an important future trend.

Whether or not this tactic works remains to be seen, however. Four-wheel drive originally was developed to enhance traction and a vehicle's ability to push through snow and mud.

The new work being done on four-wheel drive cars likewise has a technological reason, but it goes beyond traction in inclement weather. Today's front-wheel drive cars are reaching the limits of handling with high-horsepower engines driving the front wheels only.

The falling price of fuel has encouraged high-powered cars once again, and engineers regard four-wheel drive as necessary to handle the extra power

The falling price of fuel in the US has encouraged high-powered cars once again, and four-wheel drive is seen by engineers as necessary to handle the additional power.

The new development work mainly has been in the area of full-time four-wheel drive systems, that incorporate some kind of speed-matching device between the front and rear axles. This allows continuous operation on ordinary roads, unlike the off-road systems that drive the front and rear wheels at slightly different speeds, depending on tyre slip to prevent the tyres from wearing.

But marketing reality belies this engineering logic. Today's four-wheel drive customer seems to be motivated by a mixture of style and a concern about getting stuck in the snow and mud.

High-performance cars have been sold in such limited numbers that accurate sales statistics are unavailable. Including the low-cost Subaru four-wheel drive cars, the market appears to be fewer than 200,000, with true high-performance four-wheel drive cars selling fewer than 10,000 units.

Today's soft market for four-wheel drive cars has not discouraged new entries. Ford introduced a four-wheel drive option on its Tempo sedan last year, a part-time system that activates the extra driving axle with a switch on the dashboard, primarily for use in snow and mud.

General Motors' Pontiac division is the newest entry to the market, planning to introduce a limited-volume, four-wheel drive version of its STE saloon this spring. While Pontiac plans to produce only a few thousand of the new four-wheel drive cars next year, the vehicle uses a "modular" rear axle that can easily be added to additional car lines if needed.

Volkswagen's Audi division, which attempted to introduce the high-performance 5000 Quattro several years ago, is launching a four-wheel drive version of the new Audi 90 in the US this year.

Honda, Toyota and Mitsubishi also have developed station wagon-like vehicles with full-time four-wheel drive systems intended to meet the needs of the utility vehicle market with more room and comfort. But so far none has been a large-volume success in the market.

Dan McCosh

Profile: American Motors Corporation

Yet more guises for the Jeep

"THERE ARE only two words in any language that don't need translation: 'Coke' and 'Jeep'," said Harold K. Sperlich, president of Chrysler Motors, shortly after Chrysler completed its acquisition of American Motors Corp., manufacturer of the distinctive four-wheel drive utility vehicle.

The name Jeep was derived from GP (general purpose), the US Army designation for the four-wheel drive staff vehicle developed during the Second World War by Kaiser Motors.

American Motors absorbed Kaiser and Jeep in the early 1960s, and when Renault gained majority control some 20 years later it marked the beginning of a period when the Jeep was being transformed from a commercial vehicle to the centre of a major automotive trend.

Today, Chrysler cites the Jeep as the main reason for its recent purchase of Renault's interest. Less certain is the future of AMC/Renault passenger cars, but Chrysler executives already are settling on a marketing strategy to turn future Jeep/Eagle customers into potential Jeep buyers.

"We're in it for the long haul," says Robert A. Lutz, Chrysler's executive vice-president for international operations. "We'll be like the Japanese: if it doesn't work, we'll go back and do it again until it does."

The new Jeep/Eagle division, formed to handle former AMC products, will be selling the recently-introduced Premier model, an intermediate saloon manufactured in Canada and powered by a V-6 engine built by a consortium of Volvo, Renault and Peugeot.

Chrysler also plans to sell the French-built Medallion, a compact car built in France by Renault, and continue development of several new cars originally planned by AMC.

Its marketing strategy is based on the hope that Jeep customers are also shopping for higher priced, European-styled passenger cars, an assumption based on marketing studies of current Jeep buyers which show that many own foreign cars.

Jeep's customers have a median income - significantly higher than the average Chrysler customer, according to Joseph E. Cappy, group vice-president for Jeep/Eagle marketing.

At the launch of the new division, which will sell former AMC products under the Chrysler badge, Mr Cappy outlined a broad marketing strategy based on the assumption that the affluent Jeep customer might also be interested in European-styled, mid-priced passenger cars.

The distribution system he outlined included a separate franchise network for Jeeps and former AMC cars, including several new vehicles not yet on the market.

But the main hope for Chrysler's new acquisition remains the Jeep. Chrysler is building on its strongest marketing niche with the AMC acquisition - a broad grouping of light trucks, minivans and four-wheel drive utility vehicles that are being purchased by former passenger-car customers.

In the past year, Chrysler has seen all of its sales gains come from such vehicles, which it is calling a "crossover" market - somewhere between the traditional car and truck markets.

Total Jeep sales in 1987 were approximately 200,000 units, compared to Chrysler's total of light trucks, including minivans, of about 700,000.

It was significant that Chrysler refrained from creating a broader distribution system for Jeep through its current dealer network, or selling any of its current vehicles through Jeep/Eagle dealers, as had been speculated when Chrysler first announced the merger.

Chrysler today arguably has the most complicated retail marketing system in the US, selling cars and trucks made in both the US and Japan through three separate franchise systems.

Aside from the marketing strategy, Chrysler was manufacturing a significant number of mechanical components for AMC before the acquisition, including gearboxes for Jeeps.

The potential gains from the merger of the two companies are likely to be offset by some duplication in product lines. The result is an anticipated elimination of some vehicles.

Chrysler already has stopped selling the Alliance, a subcompact car that competed directly with its own Omni and Horizon models, as well as a Jeep-based pick-up truck. But other duplications remain, including a Jeep-like utility vehicle built by Mitsubishi in Japan.

At the time of the acquisition, AMC had begun work on a new Jeep, due in 1990, which Chrysler now is reviewing for compatibility with the remainder of its product line.

The AMC acquisition comes at a time of declining US car sales and an overall effort to cut costs at Chrysler. Coincidentally, Chrysler is also on the eve of launching a joint venture with Mitsubishi to manufacture a new model in a US plant owned by Mitsubishi.

Inevitably, the AMC acquisition will see further consolidation.

Dan McCosh

All-wheel drive passenger cars are the vogue, says **Sandra Earley**

Makers compete fiercely in Japan

WHEN IT COMES to consumer products - from expensive cars to inexpensive home appliances - the Japanese relish the new, the fresh and the innovative.

Trendy Japanese cooks, for example, have acquired automatic bread-making machines to form the dough, control the rising and bake the bread all in one appliance.

During the same period, au courant Japanese drivers bought themselves four-wheel drive passenger cars. Four-wheel drive, spilling over from Jeep-like vehicles and trucks, to citified versions has become so popular in Japan in recent years that in 1987, one standard passenger car in ten of the more than 5.7m registered had four-wheel drive.

If the vehicles the Japanese call midget cars (with up to 550cc capacity engines) are included in the statistics, then the numbers of four-wheel drive vehicles double. Half of the minis - often driven by women for errands in Tokyo's narrow, convoluted streets - have the option.

Four-wheel drive cars are a hot spot in an increasingly competitive domestic automobile industry. While overall Japanese car sales are nearly at saturation, growing only 2.7 per cent in 1986 with a similar percentage forecast for 1987, the consumer appetite remains keen for four-wheel drive vehicles.

Sales of these cars increased 19 per cent during 1986 and are expected to perform similarly in 1987.

The trend has Japan's car manufacturers stepping smartly these days to offer the four-wheel drive option not only on their luxury cars but also on ordinary, high-volume models. Toyota, for example, added the feature to its Celica line in 1986 and to the Corolla, Camry, Sprinter and Vista models in 1987.

To make the four-wheel drive car even tastier to the Japanese consumer, there is innovation within the innovation.

Last year, Fuji Heavy Industries introduced a system it calls Active Torque Split on its Subaru automobiles. This system, similar to one used by Porsche on its 959 model, changes torque automatically among front and rear wheels and from left to right as needed for high-speed driving or cornering.

The Japanese appear to be embracing four-wheel drive cars for the reasons used in advertising them. People living in rural areas of the country buy the extra measure of safety for driving in their mountains and severe winter weather.

In Toyko, streets are often steep, narrow and meandering, again appropriate for the extra control four-wheel drive can provide. The Japanese also view four-wheel drive cars as luxurious and "sporty" - an adjective used frequently in discussions of the option.

They look to Europe for the world standard for expensive, high-performance automobiles. Once BMW, Mercedes-Benz and Audi began offering four-wheel drive on their cars the Japanese could not be far behind.

One way to attract new customers and stay ahead of the competition is diversity in both styling and technology. "We are in severe competition to find vehicles most suitable to the individual. There still must be customers who will change cars for four-wheel drive," says a Toyota official.

The demands for diversity also shows a strength of Japanese automakers. They have long experience modifying production lines to make small batches of various models such as four-wheel drive, and using interchangeable parts among models to make them cheaply and efficiently.

While the domestic market for four-wheel drive cars appears to be expanding, the outlook for export of the vehicles is cloudy at present, the waters stirred, as with all automobile manufacturing, by trade restrictions and the strength of the Yen. Four-wheel drive vehicles have been a particular focus of political pressure in the US since some Japanese manufacturers have skirted the voluntary trade restrictions with them.

To avoid the restrictions, a number of four-wheel drive passenger vehicles have been imported into the US without their rear seats so that they could be classified as commercial vehicles. The seats were then restored and the vehicles sold.

Late in 1987, US customs began pressuring Mitsubishi to classify its Montero (sold as Pajero in Japan) as a passenger car. In response, the company announced it would stop selling the model in the US until it could regroup.

In spite of the problems, some manufacturers expect the popularity of four-wheel drive passenger cars to bloom in the US as it has for off-road vehicles, particularly with the additional nudge from the trend in Europe and Japan. And the Japanese plan to be ready both with export models and cars made within the US, especially since no North American carmaker currently manufactures four-wheel drive cars.

Toyota, for example, has announced that a Camry All Trac four-wheel drive will join its Tercel 4x4 as an export in the coming year with possibly the Corolla to come.

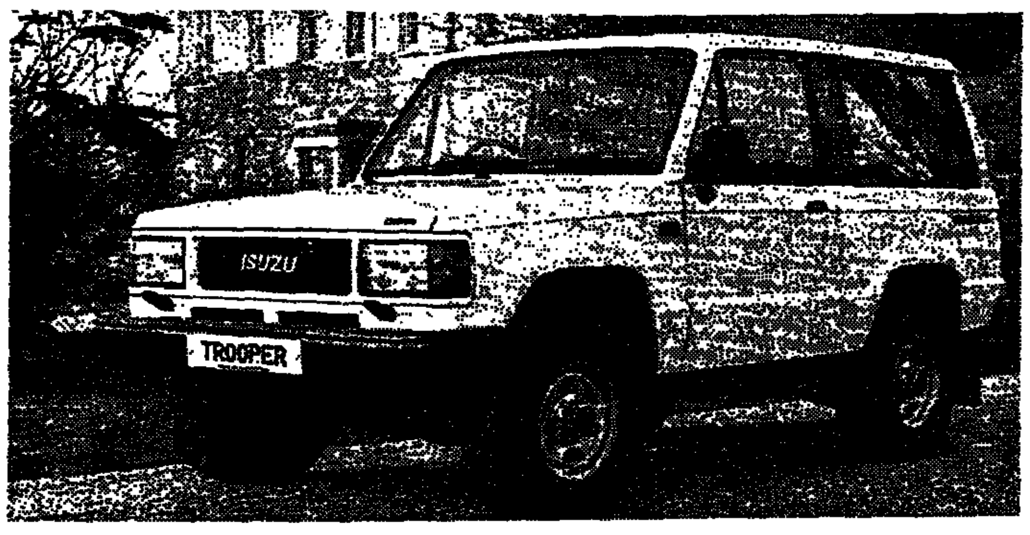
Fuji Heavy Industries, makers of Subaru, saw overall production of four-wheel drive vehicles decrease by about 6,000 vehicles in 1987, yet exports rose by about eight per cent. It added its Active Torque Split Subaru - called the XT-6 in the United States - to its exports last autumn.

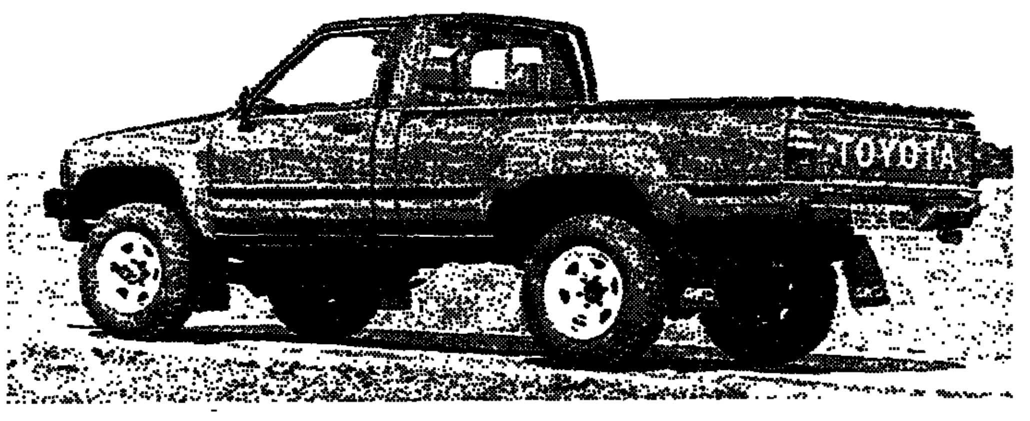
When its new manufacturing plant jointly operated with Isuzu opens in Lafayette, Ind. this year, it too will manufacture four-wheel drive Subarus.

"The Japanese want to sell more cars and more expensive cars," says Benjamin J. Moyer, an industry analyst for Merrill Lynch in Tokyo. "It will be interesting to see how they promote four-wheel drive in the United States - particularly in areas where it doesn't snow - and how successful they are."

Changes in their own lifestyles, too, feed an interest in four-wheel drive cars. Young Japanese who in past generations lived to work are beginning to mix play into the day. An interest in outdoor activities, particularly camping, is growing in the country.

Four-wheel drive cars also have a part in the latest drama to unfold within the Japanese car industry. Trade restrictions coupled with the increasing strength of the Yen are forcing carmakers to concentrate on the domestic market rather than exports. But domestic sales are near saturation, and predictions are that the market cannot long support nine car manufacturers.





Above: Isuzu's new Trooper Citation and (below) the Toyota Hilux pick-up truck

The Spanish connection

Japanese lead

SPAIN'S four-wheel drive sector is dominated by the Japanese and has a distinct north-south flavour to it. The north is Nissan, its Barcelona plant and its upper income bracket Patrol vehicle.

The south is Suzuki, producing its nimble little four-wheel drive SJ-series for the less wealthy in the Andalucian town of Linares.

The north is prosperous and Nissan is finally seeing the returns on its investment. The south, wary of a widening gap, is learning the lessons of its rivals in a more developed world and struggling hard to catch up.

This year Nissan carried out two capital increases for its wholly-owned Spanish subsidiary Nissan Motor Iberica, raising Ptas149bn to complete its capitalisation and cancel out the company's banking debts.

In an upbeat mood, the company announced that after years of an "outright crisis" Motor Iberica faced a future full of hope and was living "a spectacular moment."

In the first semester of this year Nissan posted operating profits of Ptas600m against losses of Ptas5.2bn in the same period last year and a positive cash flow of Ptas4.4bn against a negative Ptas1.9bn in January-June 1986.

For Nissan a long haul that began in 1982 when it acquired Massey Ferguson's stake in the Spanish company was reaching its end. Over five years it had battled to reduce financial charges and personnel, to impose a new management style and to build up returns from its Patrol model.

During this period the Japanese company has pumped some Ptas72bn into the company to cover losses, a figure which underlines Nissan's staying power and its belief in the potential of Spain both as a growth market and as an export base for the sector.

In the first six months of this year Motor Iberica sold 29,380 Patrols, a 34.3 per cent increase on the first semester of last year. Domestic sales were up by 37.3 per cent illustrating the clear recovery of the Spanish market after a dip last year and the 8,675 vehicles exported in the first half of this year represented a 27.7 per cent increase.

Far from resting on its laurels, Motor Iberica seemed set to broaden its Spanish base. In the autumn Nissan appeared to be discussing a tantalising development by way of a tie-up with Ford to manufacture in Barcelona an advanced four-wheel drive vehicle for European distribution.

The issue came up during talks in Tokyo between Ford's president, Mr Harold Poling, and Nissan's chief executive, Mr Yutaka Kume, that dealt chiefly with plans by the two companies to participate in a plant in North America that will manufacture vans for commercial and leisure use.

Motor Iberica described the Tokyo talks on a Barcelona joint venture as initial and exploratory discussions. That the issue came up at all reflected the performance by the Spanish subsidiaries of the two vehicle giants.

The US company, which manufactures Fiesta cars at its plant near Valencia, has built up a 15 per cent share of the Spanish market in a decade and last year reported pre-tax profits that were 105 per cent up on 1986.

Motor Iberica last year showed the highest production increase of all the Japanese multi-national's affiliates with a 56.6 per cent rise in its output against an average 16.6 per cent of Nissan worldwide.

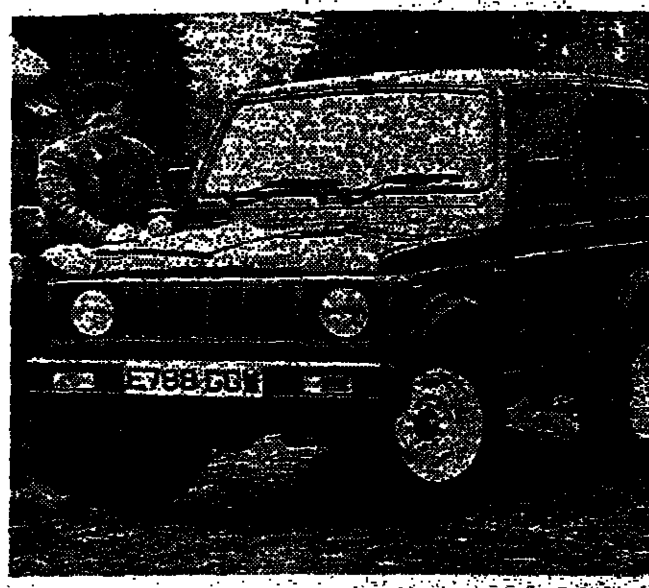
In the south of Spain the mood was different for Land Rover Santana, in which Suzuki has a growing participation. Much in the way of Nissan's entry into Motor Iberica to replace Massey Ferguson, Suzuki is in the process of acquiring the equity owned by British Leyland International Holding. But unlike its Barcelona-based rival, Suzuki still has to commit itself fully to salvaging the Spanish company.

Last year Land Rover Santana managed to reduce its losses by 32 per cent from Ptas1.1bn to Ptas788m and this was achieved principally through rescheduling its short-term debts. Saddled with financial costs and with excess labour, the company's Land Rover output has been hit by competition from the Patrol in the domestic market and by the recession in its export countries in the Middle East and Latin America.

However, Motor Iberica has pointed the way forward with its Patrol and the future of Land Rover Santana clearly lies with its arrangement to build Suzuki's J-series vehicles.

Production of Land Rovers has been cut back in favour of the Japanese vehicle. In 1986, Suzuki vehicles accounted for 17,000 out of Land Rover Santana's total output of 26,000 units. In the first nine months of this year 16,000 Suzukis were produced at the Linares plant against 4,000 Land Rovers.

Tom Burns



Suzuki's SJ 410 hard top van

Operating costs

Differences ignored by the customers

THOSE WHO buy 4WD vehicles usually do so either because they know or think they need one, or for the sake of prestige. In neither case, perhaps, does scrupulous cost analysis play much part in the buying decision, yet there are clear differences in overall operating cost between 2WD and 4WD vehicles and never to the advantage of 4WD.

The professional vehicle fleet manager breaks down the costs into three main areas. There is the capital investment cost of the fleet - in effect, the interest lost on the value tied up in the vehicles; depreciation; and direct operating costs such as fuel consumption and regular servicing, plus the overheads of insurance against accident and mechanical breakdown.

Where it is possible to draw direct comparisons between 2WD and 4WD models, as for instance between the front-driven Audi saloons and their 4WD quattro equivalents, it emerges that the latter cost between 15 and 25 per cent more (the smaller the car, the greater the differential tends to be because the add-on cost of the 4WD system varies much less than the cost of the car itself).

Thus to run a typical 4WD vehicle instead of its 2WD equivalent could immediately imply an extra cost, at today's interest rates, of up to £500 a year.

As a general rule, the depreciation of 4WD vehicles follows the 2WD pattern although variations occur between makes. Audi and Subaru, the two pioneers of road-going 4WD cars, seem to achieve roughly the same percentage depreciation for each 4WD model and its 2WD equivalent.

Some other manufacturers' 4WD models fare relatively worse. Even where the percentage depreciation is the same however, the fact that the 4WD car is starting from a higher initial value means a greater loss.

The difference inevitably depends on the model in question but for an executive-type car it could easily amount to £500 over the first year, with smaller subsequent losses as the residual value of the car declines.

What this implies is that owners or operators of 4WD vehicles will lose about £1,000 a year simply to cover the difference between their choice and a 2WD equivalent. Many owners of course choose to ignore the capital-cost element of overall costs - which is not to say it goes away just because it is ignored - and concentrate on the direct operating costs.

Some of the engineers involved in the development of 4WD cars have put forward complex arguments seeking to prove that better fuel economy can be achieved by driving all four wheels, but the official fuel consumption figures reveal a consistent penalty for the 4WD car - up to 10 per cent according to circumstances (the heaviest penalty occurs during stop-start urban driving).

This increased consumption is due partly to the increased internal friction of the 4WD transmission system - there are simply more gears in mesh - and partly to the increased weight of the vehicle.

By comparison with the capital costs, the effect of different fuel consumption is relatively small. At current prices, the difference between a 30mpg 2WD car and a rival 4WD that does 27mpg is about £70 per 10,000 miles - a consideration, but hardly a major one over the first year or two of ownership compared with depreciation. It is however yet another cost element which works against the 4WD vehicle.

Differences in other direct operating costs are relatively negligible. The insurance companies load vehicles mainly by make and model, and rarely differentiate to any significant extent between, say, a rear-driven Ford Granada 2.9i and a Granada 4x4.

The actuarial attitude seems to be that the 4x4 may be slightly less likely to become involved in an accident in adverse driving conditions, but if it is, repair costs are likely to be slightly higher.

Servicing costs for 4WD vehicles tend to be marginally higher than for 2WD ones. The actual service intervals remain the same but the list of required operations, and the labour time involved, is higher. There is little if any evidence that 4WD vehicles are any less reliable

True, there is more in the transmission system to go wrong, but those parts which are duplicated in a 4WD model are ones which are in any case almost totally reliable in modern cars.

Again, some engineers would argue that by distributing the drive loads more evenly around the vehicle, 4WD actually makes a positive contribution to long-term reliability.

It remains a possibility that very high-mileage used 4WD cars might be storing up expensive trouble for someone along the chain of ownership, but thus far the motor trade has encountered little evidence of resistance among customers to 4WD models on that score.

On the whole, therefore, although the total cost of ownership of a 4WD vehicle is higher than that of an equivalent 2WD one, that cost is mostly bound up with the 4WD's higher purchase price and subsequent depreciation, rather than being due to technical factors as such.

Where technical differences do exist, as in likely fuel economy, they too work against the 4WD case but in a more marginal way. It follows therefore that if and when the extra first cost of 4WD comes down, the whole-life operating costs will follow suit.

Meanwhile, anyone buying a £15,000 4WD car must ask whether they need the extra traction badly enough to pay more than £1,000 for it in the first year of ownership.

Jeff Daniels

Land Rover's new exports policy has boosted European sales, says **John Griffiths**

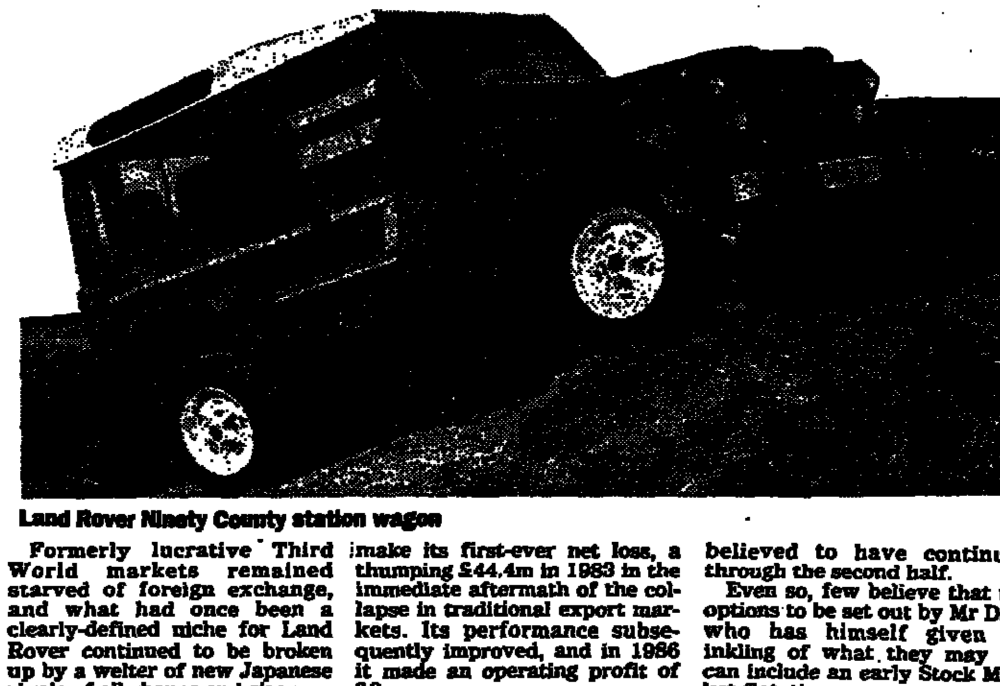
Sell-off options back on the agenda

THE LAND ROVER, for many years the four-wheel drive workhorse of much of the world, reaches its 40th birthday on April 30.

Shortly afterwards - almost certainly before the year's second half - the options for the future of the company which makes it are to be set out to the UK Government by Mr Graham Day, chairman of the State-owned Rover Group, of which Land Rover currently forms a part with car producer Austin Rover.

One previous opportunity to sell off Land Rover, as part of a package under which both it and truckmaker Leyland Vehicles (now part of DAF) would have been acquired by General Motors, came unstuck. It fell victim in early 1986 to a parliamentary revolt against the sale, not least by some backbench Tory MPs who saw Land Rover as the "jewel in the crown" of what was then BL.

In both financial and industrial terms, the view was an overly optimistic one. Production and sales of the luxury Range Rover model were certainly increasing. But those of the utility Land Rover itself, on which the company's success had been founded, were heading towards a 30-year low.



Land Rover Ninety County station wagon

Formerly lucrative Third World markets remained starved of foreign exchange, and what had once been a clearly-defined niche for Land Rover continued to be broken up by a welter of new Japanese rivals of all shapes and sizes.

Land Rover's profitability was also marginal, and to some extent still is. Having been profitable since its inception, the company was dismayed to make its first-ever net loss, a thumping £44.4m in 1983 in the immediate aftermath of the collapse in traditional export markets. Its performance subsequently improved, and in 1986 it made an operating profit of £3m.

The improvement is being sustained, with Land Rover's profit before interest and tax in the first half of last year reaching £7.9m and the trend is believed to have continued through the second half.

Even so, few believe that the options to be set out by Mr Day, who has himself given no inkling of what they may be, can include an early Stock Market flotation.

More likely is an outright sale to another, large vehicle producer, on the grounds that any opposition this time would be much more muted given the aftermath of the abortive GM takeover. That led to GM closing most of its heavy truckmaking operations at Bedford at the end of 1986.

No clear-cut candidates have emerged so far, Jaguar being quick last year to discount speculation that it might be interested in providing an "all-British" solution. "We have enough to occupy us growing Jaguar without taking on another company no matter how good its image," says Sir John Egan, Jaguar's chairman.

Taking last year as a whole, sales of the Land Rover continued to decline, and for the first time dropped below those of the luxury Range Rover.

The much more profitable-per-unit Range Rover saw sales worldwide leap by 39 per cent, to 20,505 from 14,720 in 1986, while the Land Rover sold about 19,000 units, down from 22,000 the previous year.

But the whole-year figures for the Land Rover are at least partly misleading. In the second half of the year a policy switch to concentrate on export markets in the developed world helped compensate for disappearing Third World sales.

Aided also by the introduction of a turbo-diesel model, Land Rover sales rose in mainland Europe by 36 per cent, from 4,005 to 5,450. Within that total, the biggest increases came in France, up 44 per cent, from 977 to 1,408; in Italy, up 47 per cent, from 1,570 to 2,300 and in Switzerland, up 22 per cent, from 303 to 370.

However, the strength of the opposition that Land Rover faces was emphasised in its home market, where sales actually fell by 3.5 per cent, to 6,245 from 6,465, in a utility 4WD market larger by 7.4 per cent at 15,100.

During the year, Land Rover struggled to compete with Japanese rivals like the Daihatsu Fourtrak, sales of which jumped 37 per cent to just over 2,000 units.

However, Mr Tony Gilroy, the managing director, is confident enough about prospects for this year to have increased production to 450 a week, compared with 390 12 months ago although no sales forecasts are being made publicly.

The Range Rover, meanwhile, is becoming a major success story for the company, and is believed to be generating all its profits. Its UK sales rose by 19 per cent last year to 5,025 vehicles, and sales in Continental Europe by 24 per cent, from 7,790 to 9,655.

The Range Rover was also launched in the US in mid-March last year, with hoped-for sales in the first year of 3,000 vehicles even at a current price of $33,000, which pitches it firmly into the luxury market alongside Jaguar, BMW and Mercedes.

The Range Rover is well on target: 2,585 had been sold by the end of last year, including a record 380 in December, despite the stock market crash.

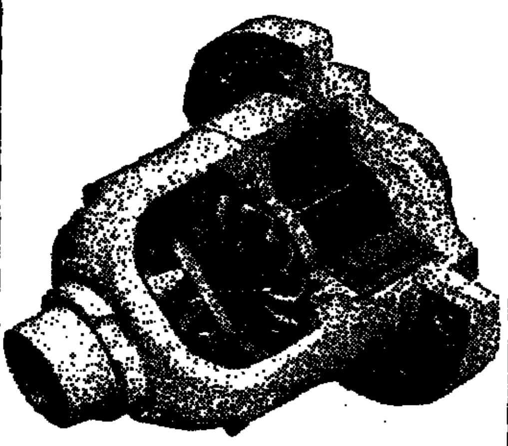
Land Rover makes clear that the basic, two-product range will form the staple for the forseeable future, even though they will be produced in a wide variety of versions. It acknowledges no plans to produce smaller vehicles to cater to the fragmenting market.

Its military business remains important and, contrary to some reports last year, the company says it is not yet out of the running for one of the most valuable military orders in recent times, for 4,100 vehicles for the Swiss Army to be delivered over six years from 1990 and worth over £85m. A decision is expected in the spring.

With its operational structure now fully rationalised - operating activities spread over more than half a dozen sites have now been concentrated at one plant in Birmingham - Land Rover has the chance of entering sustained profitability.

Half way through 1987 it took on 600 workers, bringing the total to 8,500, mainly to cope with increased demand for the Range Rover.

Whether suitors have been, or are being, attracted by its prospects is unlikely to become apparent until the second half of this year

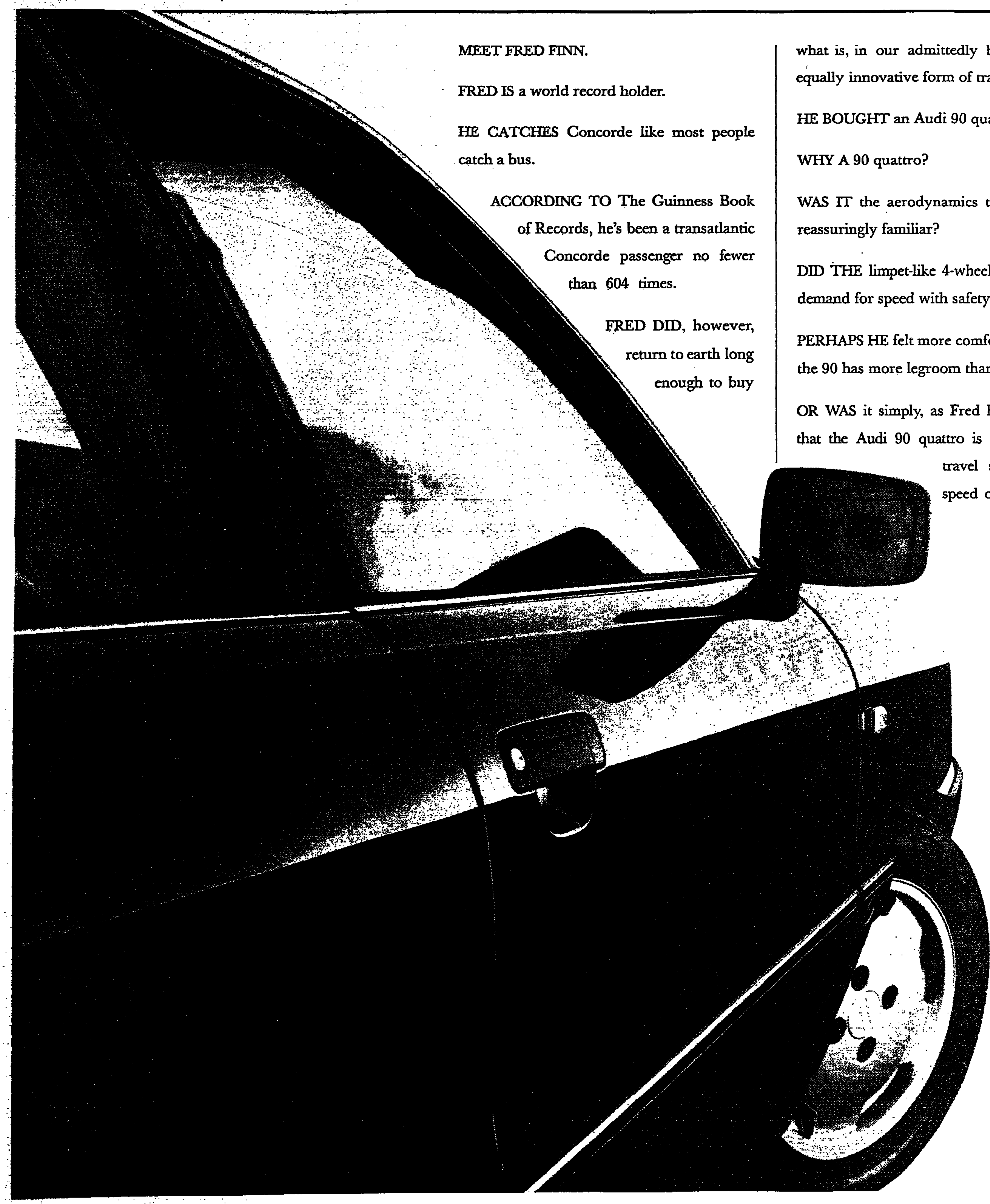


A KEY technical advance in four-wheel drive systems is the viscous coupling (above) invented in 1969 as part of the Ferguson system. Production began in 1984 in a joint venture, Viscodrive, between GKN and ZF of West Germany.

GKN is the major licensee for the couplings with manufacturing plants in Europe and a joint venture in Japan. Projected world sales this year are £35m-plus.

The unit consists of two sets of interleaved discs immersed in a high-viscosity fluid which locks the two halves of the coupling when the relative rotational speed is high, distributing power to the wheels that need it most.

WHAT DRIVES A MAN TO SPEND OVER A MILLION POUNDS FLYING CONCORDE?



MEET FRED FINN.

FRED IS a world record holder.

HE CATCHES Concorde like most people catch a bus.

ACCORDING TO The Guinness Book of Records, he's been a transatlantic Concorde passenger no fewer than 604 times.

FRED DID, however, return to earth long enough to buy what is, in our admittedly biased view, an equally innovative form of transport.

HE BOUGHT an Audi 90 quattro.

WHY A 90 quattro?

WAS IT the aerodynamics that Fred found reassuringly familiar?

DID THE limpet-like 4-wheel drive meet his demand for speed with safety?

PERHAPS HE felt more comfortable knowing the 90 has more legroom than Concorde?*

OR WAS it simply, as Fred himself explains, that the Audi 90 quattro is the only way to travel slower than the speed of sound?

Audi

DER AUDI 90 QUATTRO. VORSPRUNG DURCH TECHNIK.

*SOURCE: WHAT CAR/BRITISH AIRWAYS. THE NEW AUDI 90 STARTS FROM AROUND £14,000. BROCHURES AND PRICE LISTS FROM AUDI INFORMATION SERVICE, YEOMANS DRIVE, BLAKELANDS, MILTON KEYNES, MK14 5AN TELEPHONE (0908) 679121. EXPORT AND FLEET SALES, 95 BAKER STREET, LONDON W1M 1FB. TELEPHONE 01-486 8411.

Any type of car can now be bought with all-wheel drive, says **Stuart Marshall**

Performance that livens everyday motoring

ANY KIND of car, from a cheap runabout to an ultra high-performance sports car for the very rich, may now be had with four-wheel drive.

The Fiat Panda or Subaru Justy with selectable four-wheel drive are priced at the same level as many a supermini with front-wheel drive only. The permanently all-wheel driven Porsche 959, one of the world's most expensive cars, has no price listed but the handful that have been sold are reputed to have cost £150,000-plus.

Between these extremes is a bewildering variety of vehicles (with selectable or permanently engaged four-wheel drive, intended for strictly on-road driving or for a mixture of on and off-road operation.

One of the paradoxes of 4x4 ownership is that a significant proportion of the vehicles with the most formidable off-road performance (the Range Rover and the tiny Suzuki SJ410 to name but two) rarely get their knobbly tyres dirty.

The Range Rover is favoured by many city and suburban drivers for its strength, macho image and suggestion of ownership of broad acres. The Suzuki is bought by young women as a fashion accessory, to go with stretch jeans and high boots. Few of these owners have any idea that their vehicles, properly driven, would traverse terrain where many a rider would not risk a valuable horse.

The Range Rover has an ideal specification for cross-country driving - lots of power, quite soft suspension to keep the wheels in contact with uneven ground, and permanent four-wheel drive with a lockable centre differential.

But with the high specification (and best-selling) Vogue EFi model costing well over £20,000, few owners are inclined to subject their Range Rovers to serious off-roading. Banging around in muddy thickets does not go well with gleaming coachwork, pale carpets and wood veneer.

The Range Rover is a fast if thirsty motorway cruiser and handles better than one would expect of a heavy, high-slung car with beam axles front and back. The latest Land Rover 90 and 110 have much the same mechanical parts as a Range Rover, including the 3.5 litre V8 engine if desired.

Being cheaper and much more utilitarian, they are favoured by users who have to spend a lot of time away from hard roads. A well-driven Land Rover is almost unstoppable unless the surface is too soft to support its weight.

In these conditions, lighter vehicles like the Suzuki SJ410 and even the Panda 4x4 and Subaru Justy shine, though the last two lack the ground clearance for use on really rough terrain.

Small, selectable four-wheel drives like the Panda, Justy and the Lancia Y10 are really only for dealing with slippery but reasonably level surfaces like snow-covered roads or sandy beaches. They are an ideal way of maintaining mobility at minimum expense.

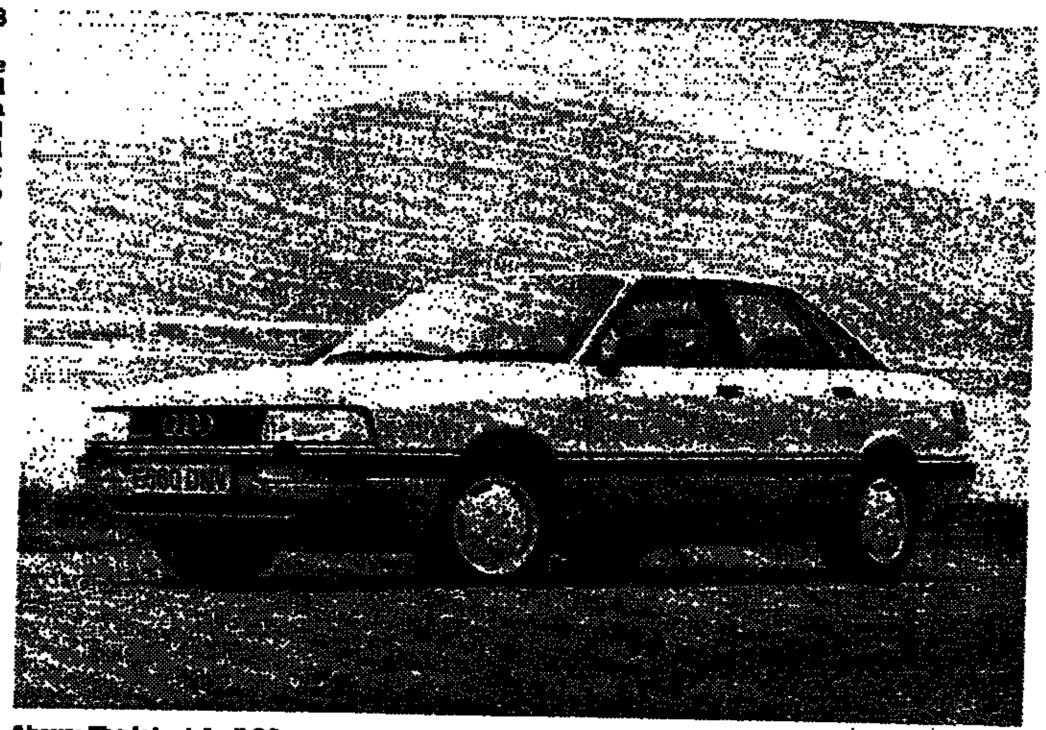
The fastest-growing sector of the on off-road market is now dominated by Japanese producers. They had the wit some years ago to realise that a lot of recreational users wanted the amenities of a Range Rover combined with a much lower price and better fuel economy.

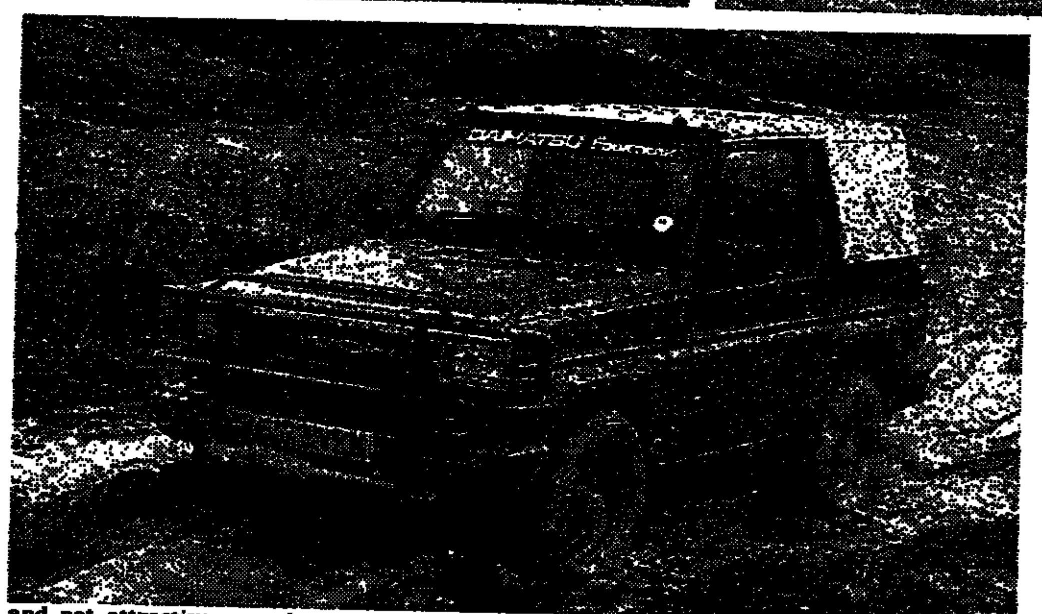
If the vehicle lacked the ultimate cross-country capability of a Range Rover or Land Rover because it had no lockable centre differential, it did not matter. They did not plan to use their comfortable, luxuriously-trimmed 4x4s for climbing in and out of bomb craters.

At most, they would cross a muddy paddock, possibly towing a horse trailer. For 99 per cent of the time their vehicles would be used as roomy estate cars, transporting children, straw bales, wet labradors and all the other impedimenta of outdoor family recreations.

Leading vehicles in this class are the Mitsubishi Shogun, Isuzu Trooper, Nissan Patrol, Daihatsu Fourtrak and Toyota Land Cruiser. The first two have independent front suspension, which gives them an almost car-like ride. The other three have simpler, leaf spring suspension.

All are offered with the option of a diesel engine, sometimes turbocharged. Diesel power suits on off-road vehicles because it curbs an otherwise dipsomaniacal thirst, caused by aerodynamics like those of a barn door, plus the drag of extra gear trains in the transmission and the added rolling resistance of stiff, bold treaded tyres.





Above: The latest Audi 90 quattro - exploiting saloon car 4WD to the full; above right: Range Rover Vogue - transport for the country set; and, right: Diahatsu FourTrak, tough vehicle for serious work

They are quiet and agreeable machines to drive, reminiscent of a Volvo 240 estate but with much greater clearance underneath. Power steering makes them untiring and reasonably parkable in town.

Their clutches and gearshifts demand little effort and in some cases, automatic transmission is available, though mostly with petrol engines only.

These vehicles plugged the yawning gap between the very expensive Range Rover and the price-competitive but utilitarian Land Rover. There is no European equivalent to these recreational 4x4s apart perhaps from the Mercedes-Benz G Wagen.

This vehicle is a mechanical masterpiece but is generally held to be too expensive to be used as a bang-about vehicle, and not attractive enough to appeal to buyers who need a 4x4 to go with a country lifestyle.

Another sector which is Japanese-dominated is the all-wheel drive pick-up truck. Mitsubishi, Nissan and Toyota all make pick-ups which combine car-like cabs for two (or at a pinch three) people with an open back that carries bulky loads of a tonne or more, across rough terrain if need be.

Power steering and a diesel option ensure easy driveability and reasonable fuel economy. The Subaru car-derived pick-up differs in being a front-drive design with the option to switch power to the rear wheels.

All the others are rear-wheel driven, with a two-speed transfer case to bring in front-wheel drive in high or low range.

Permanent four-wheel drive for cars meant to be used only on the road was pioneered by Audi, whose Quattro Turbo coupe of 1980 was a watershed in automotive design. Splitting the torque of a powerful engine among all four wheels has a wonderfully calming effect, especially on wet roads.

With only half the power to transmit, a tyre's grip is roughly doubled. By rule of thumb, then, an all-wheel driven car is four times as likely to climb a snowy hill as one with two-wheel drive.

But it goes further. During hard acceleration, or when cornering fast under full power, an all-wheel driven car is much more stable.

The extra traction on slippery surfaces has to be used responsibly because, in the end, a car remains under control only if there is some friction between tyre contact patch and road surface.

The Quattro instantly made all other very fast cars seem out of date. It has spawned many competitors, mainly - like the Audi - front-drive designs equipped with a set of rear final-drive gears and a centre differential. This arrangement is essential for a road-going 4x4.

A differential or viscous coupling gets rid of drive line stresses caused by the front and rear wheels travelling different distances when a car goes round bends.

Lancia has espoused all-wheel drive for high-performing road cars like the Delta Turbo and Prisma. A Thema 4x4 is not far off and the new Alfa Romeo 164 will soon appear with all-wheel drive.

In fact, many European manufacturers and, without exception, all the Japanese now offer permanent all-wheel driven road cars in their model ranges. Or if not, they plan to add them as quickly as possible.

Ford, BMW and Mercedes-Benz have followed a different path, converting rear-wheel driven models like the Sierra and Scorpio Granada (in the UK) to all-wheel drive. They add a transfer case to the main gearbox, with a small propellor shaft going forward to the front wheels. Ford and BMW have all-wheel drive permanently engaged.

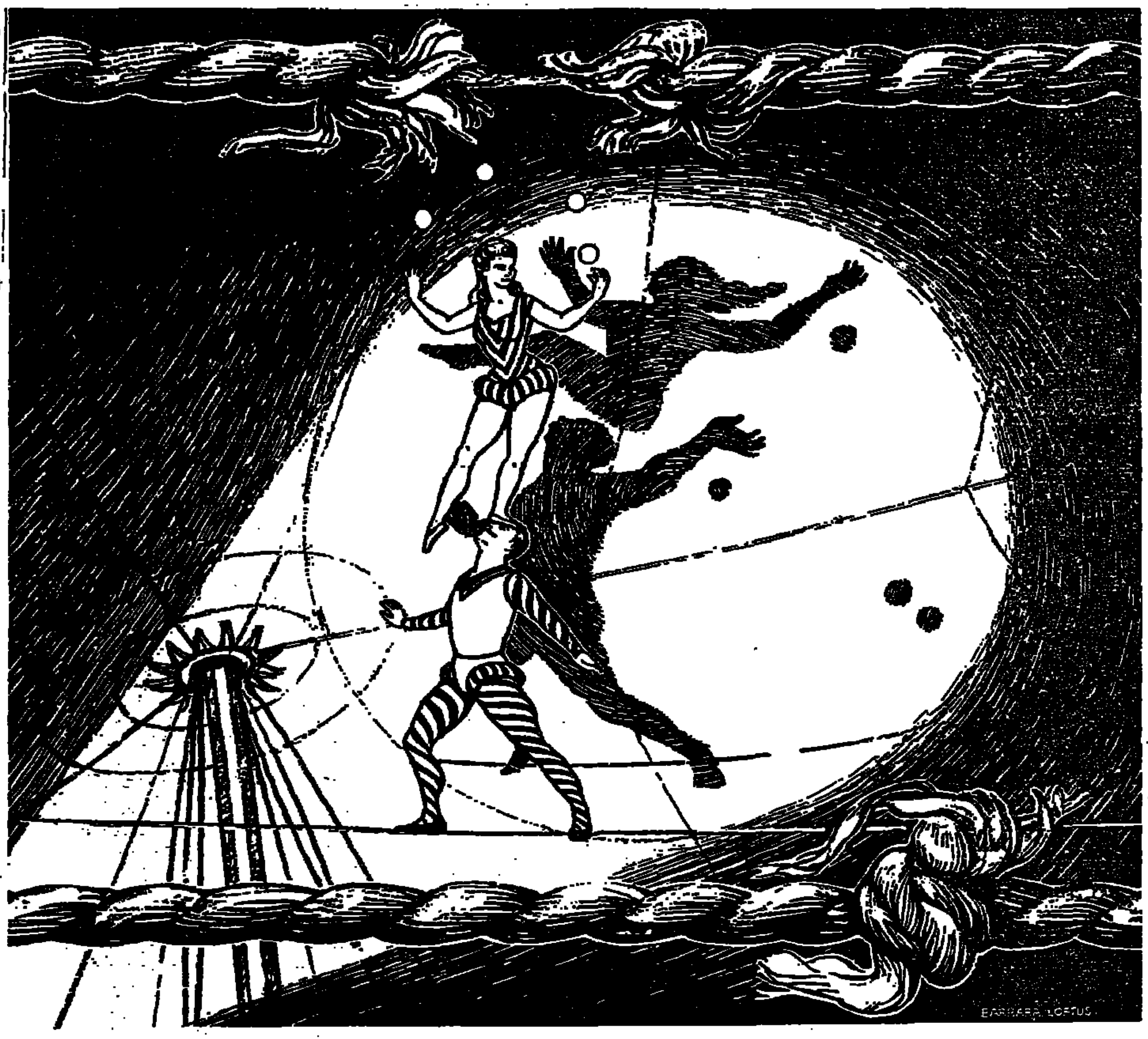
Mercedes-Benz prefers to have it switched in automatically when a computer detects that the driven rear wheels are turning faster than the front ones.

Once the benefits of all-wheel drive on a fairly powerful road car have been experienced, especially in wintry conditions, two-wheel drive motoring is never the same again.

SECTION III

FINANCIAL TIMES SURVEY

The outlook for both junior markets was changed dramatically when they plummeted to earth after Black Monday, writes Philip Coggan. As yesterday's high performers pick themselves up to start again, companies face problems over liquidity and paper acquisitions.



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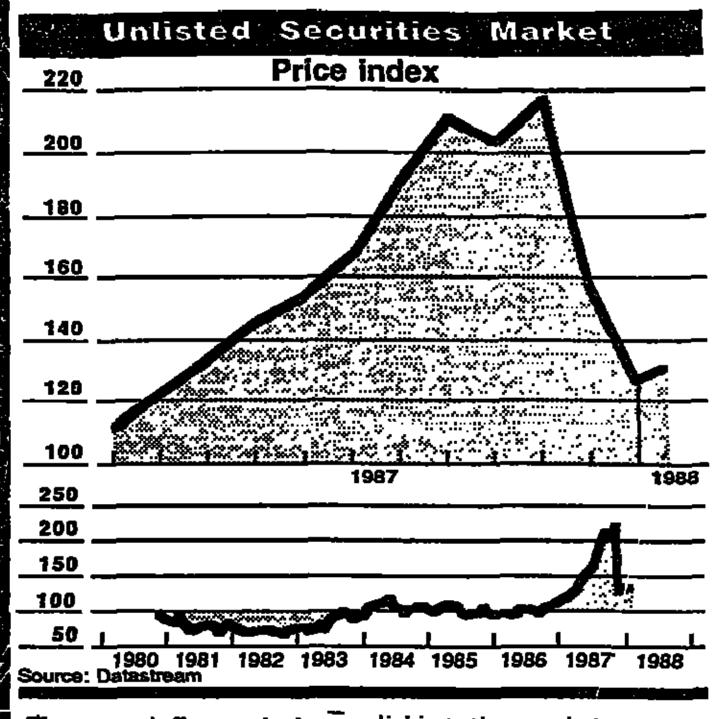

Source: Datastream

Back on the high wire

FOR NINE months of last year, the junior markets were walking the high wire to success. All the worries of 1986 seemed to be behind them – turnover and prices were soaring, the Third Market was launched without any major catastrophes, penny shares seemed to pave the investor's road to Eldorado.

But when the markets plummeted to earth after Black Monday, investors found they had been left without a safety net. Some stocks were as liquid as the Sahara desert; prices shown on market makers' screens bore little relation to the prices of shares actually being traded. Paper fortunes evaporated overnight. So the markets' task in 1988 is to "pick themselves up, dust themselves off and start all over again".

The Unlisted Securities Market had started 1987 in an edgy mood. Throughout 1986, many commentators had feared that Big Bang would have a markedly negative impact on the junior market. It was widely believed that market makers would find it unprofitable to trade in USM stocks and that liquidity would dry up.

At the same time, the new Third Market, which opened on January 26, was expected to attract many of the young, go-ahead companies who might previously have joined the USM. Thus, the pessimists believed the USM faced a war on two fronts – losing larger stocks to the main market, and smaller stocks to the new tier.

Until Black Monday, such fears appeared unjustified. Turnover on the USM increased by leaps and bounds. The average number of bargains per day (1,645 in 1986) increased to 3,200 in the first quarter of 1987, 4,099 in the second and 5,121 in the third.

Not only was the number of bargains increasing, but the value of each deal was surging ahead. The last days of the bull market saw an investment stampede into small company stocks. The Datastream USM Index, which had begun the year at just under 112, hit a peak of 227 on October 16. At that point, the USM Index had outperformed the FT All-Share by nearly 50 per cent since the start of the year.

Those market makers who had decided to concentrate on USM stocks had every reason to be pleased. In the third quarter of 1987, the average daily value of USM share transactions was £38.7m. That compares with a 1986 average of £10.9m and a 1985 figure of less than £6.8m.

Some USM company directors, wise enough to realise that the good times would come to an end, took the opportunity to sell out. Forty-eight companies left the market in the course of 1987, realising a total of over £876m for their grateful shareholders; that compares with only 57 companies in the first six years of the USM combined.

At the same time, the highly-rated paper enjoyed by most USM stocks allowed them to realise expansion plans without turning to their bank managers. USM companies made a total of 371 acquisitions valued at £1.1bn last year. Around £744m was raised via rights issues and vendor placings.

Partly because of the acquisitions boom, the number and volume of new issues was down on 1986. Seventy-five companies joined the USM, raising a total of £191m, compared with 94 raising £290m.

Many small company founders evidently decided that it was just as attractive to sell out to an already-listed group as to go through the time and expense of preparing a flotation. However, those issues which did join the market found themselves firm favourites with investors.

A change in stock market rules exacerbated the trend. The ceiling for placings was raised from £3m to £5m, and sponsors were no longer required to offer 25 per cent of the issue to jobbers. So placings became more popular among new entrants; and there was often a shortage of stock when the issues joined the market. Companies that floated before October 19 achieved an average first day premium of 23 per cent.

The USM and the Third Market

The four companies that did brave the offer-for-sale route were amply rewarded; all were over-subscribed. But by far the largest issue was that of Stanhope Securities, the property development company run by Stuart Lipton. Its arrival boosted the property sector's proportion of the USM from 8 to 11 per cent, leaving it second only to the catch-all "Miscellaneous" sector.

The bull market brought instant stock market fame to the most unlikely companies. Nineteen eight-seven was the year of the "shell". Tiny companies which had been ignored for years suddenly found they had something extremely valuable – a stock market quote. New management and new funds were injected; the share price entered the stratosphere.

The most talked-about example was Acsis Jewellery, the loss-making jewellery retailer which became a vehicle for South African businessman Darryl Phillips. But there were plenty of others – such as Randsworth Trust, York Trust, Rivlin and Entertainment Production Services.

And there were also "near-shells" – companies with ambitious plans for expansion, which recruited the support of prominent investors. The prime example was Glentree, the North London estate agency which pulled off a coup in May when Mr David Thompson, the co-founder of Hillsdown Holdings, injected some £6m. By September, Glentree's share price had increased more than 22 times since its flotation, despite the fact that the Thompson influence had not yet resulted in any deals or acquisitions.

In contrast to this frenzy of activity on the USM, the new Third Market had an extremely quiet start – playing in the manner of Geoff Boycott, while the USM was getting on with the Botham-like heroics.

It soon became apparent that early hopes of 100, or even 200, companies joining the third tier in its first year were wildly optimistic. By the time the anniversary came round, the sum total of entrants was 37, not much more than the Stock Exchange's early predictions for the first day.

Nevertheless, the market got through the year without any disasters. No companies went bust and only one new issue, that of holiday group Neilson Leisure, had to be withdrawn when it became clear that the company would not meet its profits forecast.

The lack of entrants, and the lack of disasters, sprang from the same root cause. When the Stock Exchange established the market, it transferred the responsibility for vetting potential entrants to sponsoring brokers and bankers. They were understandably cautious about being linked with young and risky ventures; many hopefuls were turned away.

It is too early to say whether this caution represents a fundamental design flaw in the market. One main reason for establishing the market was to create a forum for trading shares in high-risk small companies; if too many are turned away, then the whole enterprise may start to look pointless. But the USM also started slowly, and there is hope that pressures on the over-the-counter market will bring more companies to the Third Market this year.

But the outlook for both the third tier and the USM has been dramatically changed by Black Monday. Whether or not, it turns out to be just a temporary statistical blip in a long-running bull market, or the start of a savage bear phase, it was a nasty shock to the system.

THe USM index fell as quickly and as sharply as if it had been pushed off a sheer 300-foot cliff. By the end of the year, it had dropped back to 136, losing, in other words, four-fifths of its earlier gains and ruining a few Christmas bonuses in the process. Similarly the Third Market index, having reached a high of 160, fell back to its base of 100 by the end of the year.

Although both indices held up well against the FT-A All-Share in the first post-Crash week (because investors were selling off the most liquid, large company stocks), they underperformed dramatically from that point on. The Datastream USM Index fell 18 per cent against the All-Share between October

The placing rules are impeding popular capitalism, explains **David Waller**

Small players rarely get a game

SOME 76 companies joined the USM last year, 14 of them after Black Monday. Those that made their debut before October 19 achieved an average premium of 23 per cent in first-day dealings, and those that came afterwards have generally withstood the widespread decline in share prices.

It follows that small company new issues should be a good thing for private investors – but the bonanza is one from which the plucky punter has found himself excluded. Most companies have chosen to come to the junior market by means of a placing, in which shares are sold directly to a handful of chosen investors, rather than by way of an offer for sale.

Only four companies last year were charitable enough to opt to offer: Sock Shop, Stanhope Securities, Security Archives and Explaura. The rest – but for those which had their shares introduced – chose placings.

The reason is simple: placings are cheaper than offers, and more convenient to administer. The company can be assured of its cash without the costs of advertising its prospectus, processing the applications and getting the issue underwritten. The disillusion induced in the minds of frustrated would-be shareholders is a small price to pay for a quick, hassle-free flotation.

Hence the placing has always been the preferred alternative to the more democratic offer. In the period from the inception of the USM in 1980 to Big Bang in October 1986, 69 per cent of new issues were placings, and 14 per cent offers for sale.

But the trend has worsened dramatically since October 27 1986, the date of Big Bang when the Stock Exchange sprang a new set of placing rules on unsuspecting stockbrokers and their clients. These made it even more convenient for companies to get their shares placed, and even more difficult for the outsider to get in on the act. In the year to November 1986, only 3 per cent of USM new issues were offers; 83 per cent were placings.

One major change had been foreshadowed: the placing ceiling was raised from £3m to £5m on the USM, and from £3m to £15m on the main market. In itself, this did not act to the dramatic disadvantage of the investor, although it did increase the number of issues from which he would be excluded. More damaging were changes to the placing process itself.

Now, for issues of up to £15m on the main market and between £2m and £5m on the USM, the broker with primary responsibility for the placing is obliged to appoint one or more co-sponsors. (Below £2m the rules do not apply). The lead broker finds a home for 75 per cent of the issue among his own private and institutional clients, while the co-sponsor must place the balance.

Under the original rules, there was no such thing as a co-sponsor. The sponsor placed 75 per cent of the stock with his own clients, as now, but was then required to offer the remaining shares to the jobbers. Without committing himself to taking that many shares, the jobbers could go away and canvass opinion amongst brokers unconnected with the issue, and the brokers in turn could place orders with the jobbers on behalf of their clients.

The jobber had the right to wait until the day before trading began before taking any stock, leaving plenty of time for small investors to register their interest in the issue with their

The rule change has affected marketability. Those allocated stock in the placing are unlikely to relinquish it, so trade dwindles

own brokers. Now, it is virtually impossible to get any stock at the placing price unless you happen to be a favoured client of brokers like Capel Cure Myers in the City, or Stock Beech in the country, and the first you are likely to hear about it is when the imminent listing is announced in the press – by which time the issue has been sown up.

Of course, the investor can amass a holding by pitching into the after-market, but as the figures on first-day premiums show, that can be costly. The market maker is now allowed only 2.5 per cent of the issue, leading to a chronic shortage of stock in first-day dealings. Buying, even if limited to only a dozen or so small transactions, can often lead to a disproportionate rise in the share price.

More generally, marketability has worsened as a result of the rule change. Those lucky enough to be allocated stock in the original placing are unlikely to relinquish it, and as a result trade dwindles to paltry levels. Without at least a moderate amount of two-way business, the market maker has no opportunity to make any money, and thus no incentive to make a book in that company's shares. It is inevitable that some companies will find themselves abandoned by their present market makers.

Another problem. One leading corporate financier, currently petitioning the Stock Exchange to alter the rules as they now stand, points out that the requirement to have a co-sponsor could be a liability in the post-crash environment.

"Why should a competitor come in and help us with our issue?" he asks. "Prior to Black Monday, buoyant markets would make it profitable to do so. But now the risk is greater and the rewards less certain. I don't want to have to cancel a flotation simply because I can't find a co-sponsor."

Whether or not the rules are altered again, it is unlikely that there would be a deluge of offers for sale on the junior market – and equally improbable that investors will be able to buy as many shares as they want at the price they want. The experience of Security Archives is instructive.

This data storage and retrieval company came to the USM in September last year, raising £2.3m through an offer of 28 per cent of its shares. The amount raised fell far below the £5m placing threshhold, and indeed Security Archives is the only one of the four USM offers for sale that had the choice of placing or offer – the other three raised more than £5m apiece.

Security Archives took a commercial decision, reasoning that the publicity surrounding the offer would attract new corporate clients and thus recoup the higher costs. The issue hardly pandered to popular capitalism: it was 52 times over-subscribed and even after a ballot, applications were scaled down drastically. No one received more than 200 shares: a placing seems generous by comparison.

Start-ups

Risk outruns reward

WHEN EXPLAURA Holdings launched an offer-for-sale on the USM last year, the omens were not auspicious.

Explaura was the latest, and possibly the last, start-up company to join the second market. The first was Hesketh Motorcycles, one of the 11 USM pioneers, which had careered into the hands of the receivers in the summer of 1982. Sadly, it set a trend for the companies which followed.

Part of the original rationale for the establishment of the USM was that it would provide a forum for dealing in the shares of greenfield companies, which were disqualified from trading on the main market.

But investment in such companies is inevitably risky, and there is little in the record of USM start-ups so far to suggest that the risk is accompanied by an appropriate reward.

Nimslo 3-D followed Hesketh on to the USM in November 1981 – but its hopes that its 3-D camera would be snapped up by amateur photographers were never realised. It has never made a profit, and after selling many of the rights to its product the company is now little more than a shell.

Io Technology joined the second tier in March 1982, and its shares were traded for not much more than a year before the receivers were called in. Io's attempts to sell the Ion, its minicomputer, foundered when the company ran out of cash.

Xyllyx was set up to design and develop specialist viewdata equipment, but after failing to win any significant orders the founders resigned and sold their shares. The shares have been suspended since November 1985, and their only chance of re-emergence lies in the company's attraction as a shell.

Bio-Isolates, which joined the USM in July 1982 was briefly a "hot stock", touching a high of 465p in February 1983 as investors speculated on the profits to be made from its patented process for extracting protein from whey.

But after continuing losses and several rights issues, the company is still hoping for the breakthrough that will justify all those early hopes – the shares are now worth less than one-fourteenth of their value at their peak.

Applied Holographics is another company yet to make a profit - even after building up a market base for its holograms among US toy manufacturers, it recently found that orders were hit by the stock market crash. But at least the company's share price is double what it was when it joined the market in 1984.

Despite the dismal overall record, some start-ups have made money. Most prominent is Swindon Private Hospital, the company which has just been acquired by Health Care Services, another USM-quoted company. Investors, especially those who put in money via the Business Start-Up Scheme, will have made a tidy profit.

And Colorgen, which was the first US greenfield company on the market, managed a profit of just $100,000 in the year to June 30, after two years of losses. The company said it had order books of $1.5m for its colour matching device, which is designed for use by paint retailers.

Despite this uninspiring record, investors gave Explaura the benefit of the doubt. The company's offer-for-sale, which was designed to help the group open a limestone quarry, in Newfoundland, was over-subscribed nearly 11 times.

It will still be some time before the company starts to sell limestone, but with little news to influence them, the shares have performed erratically since flotation. Having jumped to a 50 per cent premium, they quickly lost two-thirds of their flotation price in the wake of the crash and have recently bounced back to around their issue price.

There is little incentive for future start-ups to join the USM. The costs of flotation on the Third Market are much cheaper and already two companies, ChemEx International, which is involved in waste analysis and Medirace, which is working on a treatment for AIDS and cancer, have joined the new tier.

The share prices of both were heavily battered by the crash, and if neither turns out to be a success, the old questions will return. If stock exchange rules are drawn so tightly that risky ventures are excluded, will innovative entrepreneurs be prevented from developing their bright ideas? And if the stock exchange is not the appropriate place for a start-up company to raise money, where is?

Philip Coggan

New issues

Quieter year, no flops

IT WAS a topsy-turvy year for new issues on the Unlisted Securities Market.

For a time, in the summer, it seemed that even a brick could float on the USM; such was the enthusiasm for any new dollop of equity. But then came Black Monday and some of the year's largest issues were among the biggest casualties. By the end of the year, many were predicting that 1988 would be a very dull new issue year indeed.

The USM did manage to avoid a Mrs Fields-style flotation flop last year. As a result of the change in the placing rules, there were just four offers-for-sale on the second tier, and all of them were oversubscribed. According to the Stock Exchange, 75 companies joined the market over the year, compared with 94 in 1986. The amount raised – £191m – was also down on 1986's £290m, which saw four large new issues.

In retrospect, it seems slightly strange that the 1987 figure was down on the previous year. Black Monday cannot be blamed, as there were still 21 new issues in the fourth quarter.

The phenomenon can probably be explained by the eagerness of quoted groups to acquire private companies. That gave company founders an alternative route for realising some cash and for raising growth capital, without the hassle of preparing for a flotation.

Investors were willing to snap up anything that was going. The largest amount raised in any new issue was the £27.7m tender by Stanhope, which became briefly the biggest company on the USM. Some way behind were two of the other offers for sale: Explaura, the start-up Newfoundland mining company, and the much-publicised Sock Shop.

The Stanhope issue was unusual in many ways. It was almost the classic bull market stock, centered as it was on property development and having as its showpiece a major development in the City – the 3.3m sq ft Broadgate site. Stanhope also had the attraction of two "magic names" – Stuart Lipton and Godfrey Bradman – and the combined effect was to pull in investors by the score.

Stanhope chose the unusual method of a tender for flotation and was rewarded with a striking price 40 per cent above the minimum set. Even then, the offer was 10 times oversubscribed. There was still just time to make a profit – on October 16, the shares touched a high of 317p. The rest is history. By December 7, the shares had plunged to a low of 125p.

Explaura was a completely different type of new issue, but it suffered much the same fate as Stanhope. Having touched a high of 50p just before Black Monday, its shares fell to a low of 16½p by November 9, just over half the issue price.

Nevertheless, the fact that Explaura's issue was 10 times over-subscribed indicates the heights which "new issue fever" reached last year. In normal times, such an issue would expect to be relatively unenticing for investors.

Explaura was both a start-up – a phenomenally unsuccessful sub-sector of the USM in the past – and it operated in the unfashionable business of limestone mining, hardly the stuff of which glamorous colour supplement articles are made.

Filofax: historians' choice?

Nevertheless, investors were willing to plump for a company which will not start producing profits until 1989. Was the reaction to the Explaura issue part of the speculative excesses of the bull market, or was it just the stock market doing its job of providing risk capital?

That debate was also raging when Sock Shop International came to the market. The speciality retailer saw its issue 52 times oversubscribed and the shares soared to a 100 per cent premium on the first day.

But few investors were able to uncork the champagne and light their Havanas on the proceeds. Nearly four out of five were eliminated in a ballot; of those that remained, most received an allocation of just 100 or 200 shares. Nevertheless, the shares recovered quite quickly after their inevitable Black Monday dip; and the company easily beat its flotation profits forecast.

The fourth offer-for-sale of the year, Security Archives (Holdings), attracted relatively little publicity. But it still managed to be 51 times over-subscribed as investors realised the attractions of the growing market of business records storage. And Security's share price held up well, despite the crash; since the offer, the shares have outperformed the FT-A All-Share Index by 60 per cent.

But the new issue which historians will probably pick out as being representative of Britain in 1987 was Filofax. The words Filofax and Yuppie have launched a thousand cliches this year as journalists have sought a way to categorise the high-earning share-owning young middle classes. The fact that both the young middle classes and the Filofax have been around for a long time was conveniently forgotten.

Nevertheless, all the publicity was good for the company's sales which more than doubled in the first half of the year. Keen Filofax owners who wanted to buy the shares had to wait for the after-market; the company was raising just under £5m, and so opted for a placing rather than a more expensive offer-for-sale.

The shares quickly rose to 200p, a 40 per cent premium over the issue price; but perhaps because of their symbolic link with "booming Britain", they were hit more than most by the October crash.

The crash caught many companies in the process of coming to the market. London Forfaiting, the trade finance company, had to postpone its issue until this year – although it still looks likely to rival Mrs Fields in raising the largest amount ever on the market. Blazer, the menswear retailer, decided not to float at all, and instead was acquired by Storehouse, the retail conglomerate.

One or two new issues postponed their issues for a month or so while the dust settled, and then made do with a substantially lower rating than they had previously hoped for. But some brave companies pressed on regardless.

Fairway, a printing company, decided that its preparations were so far advanced that a delay would simply cause the company to lose momentum. But the price of its issue, and that of fellow post-crash debutant, Company of Designers, was slashed and more shares issued so that the target amount of money could be raised.

Some companies may now be regretting that they failed to float when the market was at its peak. The average new issue p/e for the first nine months of the year was 15.5; and seven issues managed a rating of over 20.

However the stock market performs this year, it seems inevitable that it will be some time before sky-high p/e ratios and automatic first-day premiums return to the USM new issue market. Those entrepreneurs who had dreamed of cashing in their shares this year may have to settle for buying a Ford Escort rather than a Porsche with the proceeds.

Philip Coggan

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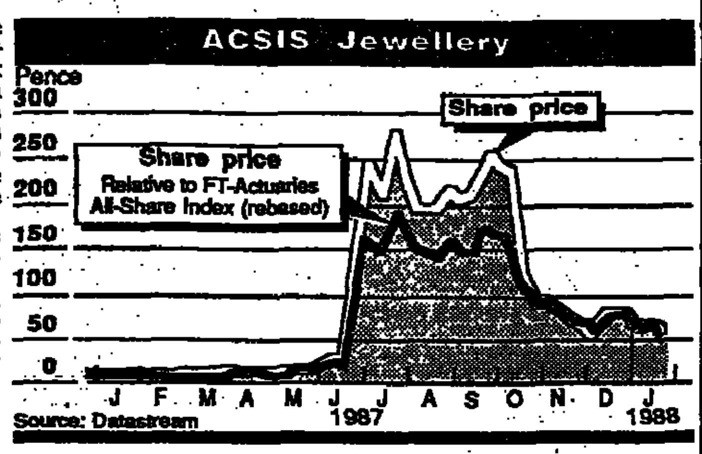
THE USM 3

Philip Coggan appraises the leaders and laggards

The new-blood factor

IF ANYONE doubted that the bull market had reached ridiculous heights, they should look at the top performing stocks on the USM in 1987. The list is dominated by "shell" companies and "management situations" – only a few of the stocks have made it to the rankings on the back of genuine organic growth.

Acsis Jewellery, Pacific Sales Organisation, Marina Development – all owe their phenomenal price rises to the injection of new management and to hopes of radical change in corporate direction. An investor would have needed the foresight of Nostradamus or the luck of the Devil to pick them out at the start of the year.



Marina Development was an unsuccessful marina operator until a concert party led by fast-growing Local London Group moved in; after the share price had shot up, the company was able to use its paper to acquire more marinas from Rank, becoming the largest marina operator in the country.

Pacific Sales managed to use its highly rated paper to fund its planned expansion into the office equipment sector – making the purchases just in time to avoid the crash. But Acsis, which at one point showed an incredible 2,400 per cent price jump, was unable to pull off a deal until December, by which time its shares had lost some of their lustre.

The presence of Ecobric in the list is particularly ironic. For much of the year the shares were suspended, following a conditional agreement for property developers Zurich Group to make a reverse takeover. Thus, Ecobric's share price was unbuffeted by the crash. But when the deal with Zurich fell through in January, and the shares resumed dealing, they dropped back to 30p, a 60 per cent decrease. Ecobric now hopes to expand, via acquisition, in the industrial sector.

Glentree, the North London estate agent, owes its position in the list, not to the property market boom, but to an injection of funds by Hillsdown Holdings co-founder David Thompson. Similarly, Sims Catering was boosted by the arrival of Mr Ron Randell, who originally built up Meadow Farm and quickly expanded the group's meat business. And Rex Williams Leisure owes its share price jump to the purchase of a major stake by boxing promoter Frank Warren.

Some groups made it into the top ten without the injection of new management but on the back of profits growth alone. Savage expanded via a string of acquisitions in the DIY market this year, announcing nearly trebled profits and doubled earnings per share.

The directors of the company, which was formed after a management buy-out in 1984, must be especially pleased with its progress. When Savage was floated in May 1986, capitalised at just £10m, not one of the directors sold a share.

Hughes Food Group has made a string of acquisitions in the food sector since it joined the market in July 1986, quadrupling its profits and septupling its market capitalisation.

The leaders all showed much larger percentage increases in the days before Black Monday – but even after that calamity, the share price gains exhibited are considerably higher then the average year.

The top ten (% gain)	
Acsis Jewellery	660
Ecobric	650
Pacific Sales	384
Entertainment Production Services	378
Sims Catering	242
Glentree	256
Savage	226
Marina Developments	224
Rex Williams	223
Hughes Food	190

The bottom ten (% loss)	
Pericom	73
Platon	59
John Michael Design	56
Pavion	54
Huntleigh Technology	53
TDS Circuits	51
Musterlin	48
Instem	48
Ealing Electro-Optics	48
InfraRed Associates	48

The tables show the change in share price between January 5 1987 and January 4 1988, based on Datastream information

The laggards list mostly falls into two groups – the usual selection from the electronics sector plus a rash of companies which suffered from the US dollar's weakness.

Pericom earned the dubious distinction of being the worst performing USM share of 1987. The company, which makes graphics terminals had had a bad year in 1985, when profits more than halved and the share price slumped to a low of 48p, falling by 63 per cent over the year. But shareholders then hit the up slope of the roller-coaster – in 1986, there was a recovery, profits trebled and the shares rose by 160 per cent. Good news for those who baled out at the top; bad news for those who stayed in for this year's 73 per cent plunge.

Pericom's 1987 problems were caused by the dollar's weakness, which allowed US manufacturers to reduce prices dramatically; Pericom had to follow suit and pre-tax profits fell by two-thirds.

Platon International, the second worst performing share, is also in the electronics sector; it faced the "double whammy" effect of this year of a shortfall in MoD orders and a downturn in its computers and telecommunications business. The interim results showed a slump into losses of £222,000.

John Michael Design joined the market in July 1985, at a time when a number of design companies were joining the market. The next year and a half saw profits advance steadily, but in the second half of the 1986-87 year, the company spent heavily on pitches for new contracts.

Profits fell by 38 per cent, and JMD first considered a cash injection from UTC, the financial services group, before opting for the backing of the Hillsdown Investment Trust, a subsidiary of the Hillsdown Holdings food group.

But Hillsdown's offer, made just before the crash, had to be changed in the wake of a ruling by the Takeover Panel. In the meantime, JMD had to announce a slump into interim pre-tax losses and Hillsdown rejigged the package. Then, that package too was abandoned when Hillsdown alleged that JMD had neglected to tell it about litigation.

It added up to a disastrous year for JMD, and the company is currently considering its options now that Hillsdown has withdrawn.

Pavion International, the "Wet'n'Wild" cosmetics manufacturer, had a "damp'n'miserable" year. Although its US industrial heating subsidiary turned a loss into profits, cosmetics profits fell sharply because of competition and the weakening dollar. In August, Pavion was forced to take the unusual step of announcing that its share price was unjustifiably high.

Given the dominance of "management situations" in the leaders list, it is particularly ironic to see Ealing Electro-Optics appear as one of the worst performing shares. Three businessmen, David Hill, Sandy Saunders and Colin Gervase-Brazier, moved into the group in the summer; but profits continued to decline, thanks partly to the falling dollar, and the early hopes of turning the group into a mini-conglomerate now look optimistic.

The rest of the laggards include one US group (InfraRed Associates), one large exporter to the US (Huntleigh Technology), two electronics companies (Instem and TDS Circuits) and a book publisher, Musterlin, which reported interim losses.

Finally, a valedictory salute to Parkfield Group, which was consistently one of the top USM share price performers before it left to join the main market last summer. In the last three years, it outperformed the FT-A All Share Index by a staggering 1,100 per cent. This year's leaders will do well to surpass that long-term record.

Sponsorship after the crash

Fewer will vie for less business as brokers review their strategies

THE OCTOBER crash may well prove more significant for USM sponsors than the Big Bang a year earlier appears to have been. A league table for 1987 would show – as it did in 1986 – a proliferation of sponsors, many of them responsible for one or two issues only.

This partly reflects the comparative security of USM new issue business, at least up until October 19. Over 1987, the average premium was around 30 per cent, but during the summer premiums soared, with Sock Shop, the specialist retailer, seeing its shares trade at double their issue price at the end of the first day's trading.

The historic attraction of sponsoring a USM company lies less in the issue itself than in the prospect of future acquisitions and fees. The companies have historically relied heavily on acquisitions to grow.

Issue costs for a placing start at £180,000, but a fully advertised offer for sale will cost over £300,000. The fees also relate to the amount of work undertaken by the sponsor – even if the issue is pulled, the sponsor takes a fee.

As Rowan Simmonds, of Wood Mackenzie says: "Bringing a company to the market is essentially a loss leader. The time devoted to a flotation is not paid for by the company."

The crash, however, has forced most brokers to look more carefully at the nature of their operations, while the flood of new issues has since turned into a trickle. Ratings and premiums have been adjusted downwards.

Directors too have become more cautious, faced with the prospect of having to give more of the company away to raise the same sum of money.

There are two implications for 1988: there will be less new issue business, and there will be fewer players eager to pursue it. As broking houses review their strategies, the most likely casualties of retrenchment are recently established departments which only bring in a comparatively small proportion of total revenue.

Those that are likely to remain significant sponsors are the houses which were already committed to the USM some time before the Big Bang.

However, the evidence from 1987 suggests that the range of services, particularly market making, offered by larger conglomerates are not necessarily irresistible. The directors of an USM company contemplating a listing might well have reflected that the quality of service offered by a smaller broker might be better and more personal. Indeed, smaller brokers have remained significant sponsors – particularly regional ones.

As Mr Tim Seymour, a director of one of the smaller houses, Gilbert Eliott, with a recently established corporate finance team, points out: "Those people who float companies which succeed are likely to be the teams which succeed. It is not a question of size as much as one of success."

Another reason is that some of the larger conglomerates have decided that USM business is simply too small – a decision likely to be reinforced by the crash. Two years ago, sponsorship was dominated by Simon & Coates, Capel-Cure Myers and Phillips & Drew. Only CCM has remained a leading operator.

"Of all USM flotations over the 18 months to June 1987, the average market capitalisation was £12m," explains P & D's Robin Williams. "Of those, 74 per cent by number were under £10m. We try to make sure our USM companies are over the £15 to £20m mark, which tends to exclude us from the majority of smaller issues. We are prepared to be excluded because we have problems attracting our larger institutional client base to smaller issues. We are more interested in looking after the bigger client."

Capel-Cure Myers, a subsidiary of ANZ bank, is in top position for the second year running and might reasonably be expected to stay there. Its sponsorship business seems to have suffered little last year, despite the defection by 11 of its small company team to Wood Mackenzie.

There is little sign of CCM's former great rival, Simon & Coates, now Chase Securities following its purchase by Chase Manhattan and subsequent merger with Laurie Milbank. "The Big Bang came soon after our integration into Chase Manhattan," comments Mr George MacDougall, a director of Chase Investment Bank. "We stood back from the market for a while as we wanted to watch its liquidity carefully."

Mr MacDougall says that Chase has now decided that it is firmly committed to the USM and intends to launch some issues in the early spring. "We would have floated one or two by now had the market been more certain," he adds.

One omission from the list of sponsors is Hoare Govett, which sports one of the most prolific teams of USM analysts. The firm appears to have concentrated on developing its research coverage first with a view to moving into corporate business later.

Hill Samuel has also moved well down the league. Rivals allege that well publicised political problems around the time of the company's sale to TSB may have harmed its ability to win new business.

"All our quotations were on the main market last year," said Mr Tom Brockbank, a director of the small companies unit at Hill Samuel. "The reason is that the difference in cost between a full listing and a quote on the USM has narrowed, and a number of companies have thought in terms of a full listing."

Merchant banks are a little more expensive than broking houses, as most add an initial charge of about £30,000. However, Mr Brockbank argues, "There is substantial evidence to suggest the pricing of the shares is better when a merchant bank is sponsoring an issue. We are simply acting on behalf of our client and shareholders, whereas the broker is also looking after his institutional clients so there is a tendency to underprice."

It seems likely that, over 1988, the less committed players will not waste time on USM flotations. This leaves fewer competitors to fight a more serious battle in tougher conditions for long term market share.

Heather Farmbrough

The top sponsors year by year

1987	1986	1985
ANZ/Capel-Cure Myers (*9 issues*)	Capel-Cure Myers (*11 issues*)	Simon & Coates (*8 issues*)
Barclays de Zoete Wedd (4)	J. Henry Schroder Wagg (3½)	Phillips & Drew (6)
Albert E. Sharp (4)	Brown Shipley (3)	Robert Fleming (5)
Laurence Prust & Foster Braithwaite (3)	Hill Samuel (3)	Hambros (4)
County (2)	Lloyds Merchant Bank (3)	Samuel Montagu (4)
Phillips & Drew (2)	Rowe & Pitman (3)	United Trust & Credit (3½)
Gilbert Eliott (2)	Savory Milln (3)	Capel-Cure Myers (3½)
Kleinwort Grieveson (2)	Phillips & Drew (2½)	Albert & Sharp (3)
Chase (1)	Earnshaw Haes (2½)	Fiske (3)
		Hichens Harrison (3)

Source: Peat Marwick

Alice Rawsthorn profiles Pepe, one of Britain's leisurewear leaders

Going overseas in jeans

A RAGS-to-riches tale of a penniless immigrant building a multi-million pound business from a market stall sounds like soap opera. But the story of Pepe is one of real life rags to riches.

It began in the London street markets of the early 1970s, when Mr Nitan Shah arrived from Kenya and began to sell second-hand jeans on a stall in the Portobello Road.

Today, Pepe is a leisurewear group with interests all over the world. It is also one of the largest companies on the USM, with a market capitalisation of more than £60m.

Pepe swiftly graduated from the Portobello Road to other markets, into retailing and thence to wholesaling. Mr Shah's brothers – Arun and Milan – came from Kenya to join him.

The business ran into problems in the early 1980s, when a shipment of goods from Hong Kong went astray and a manufacturing venture in Kenya foundered. But it weathered the storm, and in 1985 the Shah brothers were able to float their company on the USM with a price tag of £23.5m.

The Pepe formula combines a marketing strategy – of designing more inventive leisurewear than that of the multinational jeans giants – with a flexible sourcing policy. Thus Pepe is not involved with manufacturing, but sub-contracts the production of clothing to its own design from companies in the Far East.

A year before the merchandise is to be sold in the shops, Pepe chooses its fabrics and colours for the season. Its designers then work on samples of the collection. These are shown to retailers, and orders are placed for the merchandise. Pepe then instructs its manufacturers in Hong Kong and India to produce to a specific quantity.

The system has been refined over the years. Pepe has, for example, established a quality control team in Hong Kong to ensure that the standard of output is satisfactory. It has also recently set up a similar team in India.

Roger Rowland: a system that works

The advantage of this system is that the Pepe operation is free from the burden of the heavy fixed costs that conventional clothing manufacturers carry. Moreover, given that retailers place their orders in advance, it is rarely lumbered with surplus stock at the end of the season.

The disadvantage is that Pepe finds it more difficult to take advantage of sudden changes in fashion. When the trend for "snowwash" jeans – a style of denim mottled with a marbly finish – surfaced last winter, Pepe had no snowwash styles in its range. It managed to produce a collection, but only at the cost of air-freighting it to Europe and of missing several weeks of sales.

Nevertheless the Pepe management team, headed by Mr Roger Rowland, as chairman, with the three Shah brothers, has concluded that the benefits of the system outweigh the bad.

Pepe now sells the eponymous Pepe brand, together with its Hard Core and Big Stuff ranges, to multiple and independent retailers throughout Britain. In the early 1980s, denim jeans played a modest part in its collections. But since the success of the Levi advertising campaign two years ago, it has taken advantage of market buoyancy to increase its involvement with denims.

The company is now established as one of the leading players in the British leisurewear market with an estimated 6 per cent of jeans sales. But the future will be overseas.

Pepe is already established as a brand in several European markets, in the US and Australia. It is now finalising plans to set up subsidiaries in New Zealand and Portugal, and is considering expansion into Canada, Scandinavia and the Far East.

Once the international spread of activities is sufficiently broad, Pepe plans to take advantage of marketing opportunities such as pan-European advertising.

A year ago the group acquired Buffalo, a French clothing company, which it intends to develop into an international leisurewear concern.

The integration of Buffalo has been more difficult than was expected. The restructuring of the business, which has involved introducing a new senior management team and changing its production system, is now almost at an end. Buffalo, which has been introduced to other European markets, should make a modest profit in the financial year to the end of March.

In recent months Pepe has concentrated on reinforcing its own management team. It has drafted in executives from outside the company – chiefly from retailing and textile concerns such as the Burton Group and Dawson International – to strengthen areas like international expansion and sourcing.

These new senior managers will, it is hoped, create the base from which Pepe can expand in the future. The company can then begin, as Mr Rowland put it, "to drive the Pepe brand name all around the world".

Shell companies

How Acsis became a jewel

IF THERE is one sure sign of a heady bull market, it must be a burst of "shell" activity. Suddenly, every would-be entrepreneur starts to look for a quoted company – small enough for a controlling interest to be purchased, preferably "clean" and cash-rich, and with as little cumbersome, ongoing activity as possible.

The rationale is simple. As equities generally become more and more highly rated, the value to budding entrepreneurs of a market quote escalates. Investors are increasingly willing to subscribe for new shares, and a rapid acquisition programme can easily be paper-financed.

Last summer, shell activity boomed. To the businessmen buying in, it made little difference whether the company's quote was on the main market or the Unlisted Securities Market. In those bull market days, many investors appeared less than choosy about the paper they backed, and the more tightly held the shares, the greater (and therefore the more useful) the subsequent price movement.

So while main market shells took in the likes of Pacific Sales Organisation, Oakwood, Phicom and Sharna Ware, the USM contributions included Acsis Jewellery, Randsworth Trust, York Trust (alias Equity Finance Trust), Rivlin and Entertainment Production Services.

Acsis Jewellery was certainly the most dramatic story in share price terms. The company had come to the USM in 1981 at 70p a share, via a placing of 40 per cent of its equity. It was then making over £500,000 a year pre-tax, derived from sales of medium-priced fashion jewellery through about 70 "shops-within-shops" and mail order.

It was not long before the problems started. Come 1982, the company moved into the red – with the problems blamed on recession in the jewellery trade. That was followed by a modest recovery, and in 1984 Birmingham Mint made a £1m capital injection, receiving convertible preference shares in return. But the new money failed to prevent losses from resurfacing in 1985-6 and 1986-7.


Darryl Phillips: shares soared after his purchase

By then, the shell route looked the most attractive option for shareholders. During 1986-7, Acsis cut the number of outlets from 40 to six, drastically reduced its stocks and sold its head office for almost £500,000. Mail order had already disappeared in 1984. By the autumn of 1986, it was no secret that Acsis was effectively on the market – and at one stage England cricketer Phil Edmonds was rumoured to be interested.

In fact, it was late-June 1987 when South African businessman Darryl Phillips acquired a controlling interest, via a British Virgin Islands-based company called Windstorm. A £1.5m rights issue took place immediately, and Windstorm ended up with 38 per cent of the Acsis shares.

Within days of the buy-in, the market had twigged that Mr Phillips operated a group of advertising agencies – plus service subsidiaries – back in South Africa, and that he planned to take Acsis into the highly-rated marketing services industry in Britain. The shares, having bumped around the equivalent of 20p (adjusted for the rights issue), soared to over 300p. Post-Black Monday, of course, much of the gain was wiped out – but by mid-December the company was still showing a 650 per cent advance, making it the second-best performing share for the year overall among companies capitalised at under £100m.

In general, shell activity tends to be spread across a wide variety of sectors – depending largely on the whims, skills and experience of the individuals buying in. In mid-1987, however, the one field into which a disproportionate number of vehicles became concentrated was property. That was scarcely surprising; the booming property market itself, especially in the South East, plus the suitability of a paper-issuing machine to finance property dealing activities, provided ample explanation.

Rivlin was a case in point. In mid-1986, City Merchant Developers – formed by Martin Landau after a management buy-out of Guinness Peat Properties – sold three properties to I.D & S. Rivlin in return for a 29.2 per cent stake in the small, barely profitable USM group. Within months, Rivlin had used its paper to make a £41m bid for Marlborough Property Holdings. In June 1987, it added Mayfair & City Properties – a fellow USM-quoted group – for £28m, and this time raising a total of £35.7m via an open offer of convertible preference shares.

The pattern at Randsworth Trust was not dissimilar. Here the buy-in was more of the team effort; new management at small plant hire company, Jayplant, consisted of two ex-Brixton Estates men, Andrew Nichols and Tony Brayford, plus barrister-cum-property developer David Holland and former Lloyds & Scottish managing director John Little.

And the deals came even more quickly. In February, there was an agreed £60m bid for London & Provincial Shops Centres; in March, a £14.5m offer for Apex Properties; in August, £132m-worth of properties were bought from Mountleigh and British Land; in September, the New Oxford Street property from textile group Lister, for £15.3m.

The key question is how such companies will fare in the wake of the stock market crash. In general, shell companies' shares have been among the worst hit – scarcely surprising, given their previous froth and the fact that they are essentially acquisition-led vehicles. With market ratings sharply reduced over the past few months, and underwriting still very difficult, this sort of deal-making has ground to a stand-still.

For many shell entrepreneurs, the sudden fall in October meant that acquisitions already in the pipeline had to be cancelled or renegotiated. The latter option has not been easy; most report that sellers are understandably reluctant to cut their prices just because the purchasing company's paper has fallen out of bed.

Those fortunate shells who have already secured some solid profitable business can at least batten down the hatches, pray that the market eventually recovers a modicum of stability, and hope that a usable rating eventually returns. The tougher outlook is for those where the acquisition programme had only just got under way.

Again, Acsis is a prime example. In late December, it managed its first deal – a £5.9m acquisition and a far cry from the £15m-£75m purchases which Mr Phillips had envisaged in the late summer. Moreover, the vendors end up with a 30 per cent stake in the enlarged company.

But that, after all, is the risk attached to the often high-reward shell route.

Nikki Tait

Takeovers

A happier place to buy

JUST AS takeover activity was a prominent feature of the main market in 1986 and 1987 up until the crash, so it was on the USM.

Acquisitions have been an important way for USM companies with plentiful shareholders' funds to expand. During 1987, USM companies made some 371 acquisitions at a total cost of around £1.1bn.

Sims Catering Butchers has been an aggressive acquirer since Mr Ron Randall, formerly chairman of Meadow Farms until its purchase by Hillsdown, took a controlling interest last year. The company more than doubled its turnover with three paper-based deals in the autumn. These acquisitions were designed to make Sims a fully integrated meat business, but the company has made it clear that it also intends to develop into a food manufacturing and meat distribution group, in which acquisitions will play a major part.

The USM has traditionally been a good environment for acquisitive companies, because, as Mr Geoff Douglas of Hoare Govett comments, "acquisitions are technically easier to make on the USM".

In the past, high ratings and favourable stock market conditions for issuing paper have enabled the majority of USM companies to finance their deals by share purchases, often with an additional deferred payment on earn-out arrangements. Investors have tended to welcome the resulting expansion of free market capital.

Last year saw some sizeable acquisitions by USM companies, such as food producer and distributor Hunter Saphir's £18.4m purchase of four companies from Berisford, and funeral directors Hodgson's £15.5m acquisition of Ingall Industries from the House of Fraser.

USM companies were also popular targets for their larger brethren on the main market. Last year, 48 USM companies were acquired for a total of £876.4m. These included the purchase of Charlie Brown's car care centres by Woolworth Holdings for £18.7m and Kennedy Brooks' £8.8m acquisition of Crusts.

As USM companies tend to place only a small proportion of their equity in public hands, they are likely targets for recommended offers, rather than contested takeovers. For the acquirer, the attraction is this is often a safer, cheaper and more enjoyable way to buy a company.

An agreed bid can also guarantee the directors' future ties with the company, and sometimes opens up senior managerial positions in the acquire company's operations. For the directors of Blazer, the retailer, an agreed deal with Storehouse was an attractive alternative to an intended flotation on the USM in uncertain markets, while guaranteeing their future interest in the business for some time. The directors of Tasco, which imports and distributes sports equipment, recently decided to sell to Porter Chadburn, in preference to a quotation on the USM.

One unusual USM acquisition last year was the UK's second largest management buy-out, Wickes, the do-it-yourself retailer. The American parent, which had floated it off in the first place for £46.2m, financed its repurchase for £119m under the existing management.

Although most deals are agreed, their history is not always so happy. The USM has seen more than a few distress acquisitions; last year, 23 per cent were purchased either at a discount to their issue capital or at a premium of under 10 per cent, well below average for the rest of the market. Among companies acquired last year, the average length of stay on the USM is 32 months, over which the mean increase in capitalisation is 114 per cent. This compares with those which move off the list on to a full listing, after an average spell of 29 months and a staggering mean increase of no less than 978 per cent.

"Acquisitions are a good way out for companies who saw a USM flotation as the end of the line and did not necessarily want to use the market to issue paper," comments Mr Rowen Simmonds, of Wood Mackenzie's small-company team. The frequency of past deals suggests there plenty of directors who are not necessarily averse to cashing in their "paper millions".

USM companies are by no means always passive partners in takeover deals with fully listed companies. In February 1987, ET Sutherland, the canned foods and chilled meats producers, took over fully listed pork butcher Home Farm Products.

Another audacious takeover was the agreed £57m offer for London and Provincial Shop Centres, a fully listed property company, by USM-quoted Randsworth Trust. The deal would have been impossible without the backing of an alternative cash and loan note offer underwritten by Chase Manhattan Bank. It also enlarged the group's capitalisation from £750,000 at the end of 1986 to some £75m.

In 1988, the USM is widely expected to be a less friendly environment for quoted companies, which may make paper acquisitions harder and private deals more common. Companies contemplating a USM quote may opt for agreements along the lines of the Blazer/Storehouse deal. Predatory USM companies have always tended to buy more private companies than their main market counterparts, a function of their respective sizes rather than rating.

But the acquisitions are unlikely to stop, though they may be fewer and farther between. In the first quarter last year, companies paid £146.6m for USM companies. The figure rose to £299.3m in the second, to £276.8m in the third, but dropped to £153.7m for the final (post-crash) quarter.

As Mr Simmonds says: "The UK corporate sector still has a strong cash flow, so companies are more likely to use cash than shares to finance takeovers."

At County Securities, his counterpart Mr Andrew Holland agrees. "Companies which want to continue growing and increasing market share will probably be acquisitive for some time yet."

Heather Farmbrough

The Third Market, a year old last month, has had an unexciting start

New rules will speed membership

IN JANUARY, the Third Market celebrated its first anniversary without fulfilling either the high hopes or the worst fears of its creators and detractors.

The Stock Exchange's newest tier was launched amid high hopes of up to 25 companies joining on the first day and 200 by the end of the first year. In the end, only eight companies were traded on day one, and 37 companies had joined by the anniversary date, a respectable but hardly exciting start.

However, the market did manage to get through the year without any of the scandals that some had expected. The prime motivation behind the Third Market's creation was that it would form a "respectable" version of the over-the-counter market, which had grown dramatically in the 1980s. The OTC market had suffered from a series of corporate collapses and criticisms of the "cold calling" marketing methods used by some securities houses.

It was hoped that the Third Market would lure many of the OTC companies away from the unofficial market, and the requirements for market entry were accordingly much more lax than those on the main market or the USM.

Third Market entrants needed to produce only one year of audited accounts, and there was no minimum requirement for the amount of equity that needed to be in public hands. Once on the market, companies had to produce annual, but need not publish interim, accounts; and they were not required to circularise shareholders when making acquisitions or disposals.

The Stock Exchange placed the responsibility for vetting Third Market companies firmly on the sponsoring brokers and bankers. And it is that provision which seems to have limited the growth of the market so far.

"Sponsors are being sensibly cautious and are only bringing forward companies that are suited for the market," says Ted Awty, of Peat Marwick McLintock. One issue, holiday company Neilson Leisure, was withdrawn when it became clear that the company would not meet its profits forecast.

But there is reason to suppose that this year could see an acceleration in the number of companies joining the market. First of all, the provisions of the Financial Services Act, which require any market maker in securities to be a member of a registered investment exchange, will come into effect in April. That will pose a problem for those companies traded by OTC dealers such as Harvard Securities, which has so far failed to gain admission to the Stock Exchange. Many OTC-traded companies may opt to join the Third Market.

Secondly, more Business Expansion Scheme companies can be expected to join the market. Although the very first company to announce its intention of floating on the market, Unit Group, was a BES company, since then the entry rate has been disappointingly slow.

In part, this is because of two BES regulations. The first is that shareholders in BES companies cannot sell their shares for five years without losing their tax relief. The second is that for the first three years, tax advantages also depend on BES companies not becoming a subsidiary of another group.

The combined effect of the rules is that there is little incentive for BES shareholders in pushing for their company to join the market, since there is no way they can sell their shares, either in the market or to a corporate bidder. But the BES was set up in 1983, and as more companies pass the three and five year deadlines, the barriers to joining the market should disappear.

"I would expect between 50 and 60 companies to join the Third Market in its second year," says Awty, "and it could be many more."

What about those that have already joined? By January 14, the 33 companies then quoted on the market had a combined market capitalisation of £209m. Over a third of that value was composed of just three companies – Leading Leisure, Takare and Corton Beach.

Of these, it was the last-named which had attracted the most attention. Corton Beach had been a holiday camp operator and briefly a "hot stock" in the 1960s; but it was only a shell by 1984, when businessman Mike Keen bought in and started to turn the company into a mini-conglomerate. He quickly moved the group into such diverse fields as amusement arcades, motor dealers and freezer centres.

Corton Beach's brief Third Market career has already notched up two firsts – it was the first company to spin-off a subsidiary on to the market (Propeller, the men's shirt designer) and it was the first company to try, and fail, to jump to the USM. The Stock Exchange ruled that companies should spend at least a year on the third tier before winning promotion.

Leading Leisure is, with a market capitalisation of around £35m on January 14, by far the largest company on the market. The group has interests in casinos, hotels, leisure centres and construction and hopes to transfer to the main market as soon as appropriate.

The companies so far traded on the market have quite a wide spread of interests. Although a number of oil and gas and mineral exploration companies have transferred from trading under Rule 535(3), there is not the concentration on the oil sector that characterised the early days of the USM.

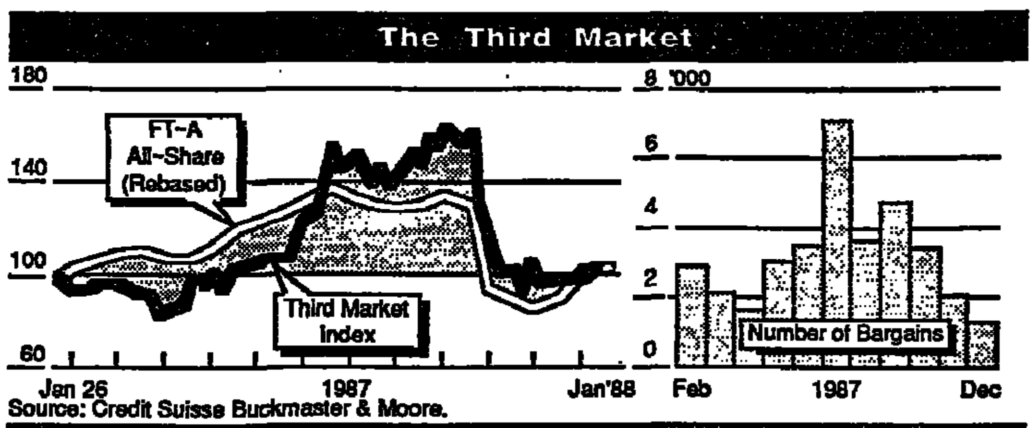
Oil and gas made up around 10 per cent of the market's value on January 14, with mineral exploration chipping in a further 4 per cent. By far the largest sector was leisure, with around a quarter of the market's capitalisation, thanks largely to the presence of Leading Leisure.

The wide spread of companies should ensure that the Third Market index does not perform too erratically. The USM's early years were dogged, first by the oil industry's traumas and then by the shake-out in the electronics sector, after a larger number of "hi-tech" stocks had come to the market.

In the first few weeks, the Third Market index, compiled by Credit Suisse Buckmaster & Moore, lagged behind the main market because of the early dominance of Eglinton Oil & Gas, an Irish exploration company. Then the bull market enthusiasm for small companies took the index up and away to a peak of 160 before the crash carried it all the way back below 100.

Sharp movements in the index can easily occur; the market is never likely to be very liquid. Before the crash, there were more than 5,000 Third Market bargains in September – but since then volume has fallen. On one day in December only 20 deals were conducted.

Philip Coggan



Source: Credit Suisse Buckmaster & Moore.

Profile: Hughes Food

Full of pre-cooked promise

JOHN HUGHES, founder of the eponymous Hughes Food Group, bestrides the Humber like a colossus. One leg of his empire is rooted in Cleethorpes, the other one across the river in Hull. Cold storage warehouses, fish-processing plants and food machinery sheds all bear the imprint of his initials, brightly emblazoned in red.

Mr Hughes is something of a phenomenon. The son of a lorry-driver, and a butcher-boy by profession, he possesses an obvious dynamism and an urge to buy other people's businesses that makes him the quintessential USM entrepreneur.

Since his company came to the market in July 1986, by means of a reversal into a defunct but listed Malaysian rubber plantation, it has bought more than 15 private companies, quadrupled its profits and has enjoyed a near-sevenfold increase in its market capitalisation.

It has also diversified beyond its original cold storage and machinery base into fishing and fish processing, the manufacture of chilled and convenience foods and frozen vegetables, ice-making and property-development. Profits have grown to boot, from £581,000 at the pre-tax level in 1985-86 to £2m in the six months to September 25 last year. For the full year, analysts expect at least £5m.

As a stock-market animal, the company is very much a creature of the bull market. Buoyed by the stratospheric rating that used to be accorded to the shares of small companies driven by charismatic and expansion-minded entrepreneurs, Hughes grew rapidly through the issue of successive tranches of new equity. During its brief market career, the company's capital base has increased five-fold.

Sentiment has turned against such companies since October 19, and in common with other USM "go-go" stocks, Hughes's shares now stand at approximately half their pre-crash peak. With a rating now in the low to mid-teens, it will be infinitely harder to sustain paper-driven growth at the rate enjoyed when the bull market was at its most frothy.

Nevertheless, the irrepressible Mr Hughes rejects any suggestion that Black Monday spelt the end of the company's ascendancy. "No problem, no problem," he maintains, before launching off into a description of his latest venture into prepared foods or fishing off the coast of West Africa. Macro-economic issues do not appear to give him any cause for concern: he would rather give thought to a scheme to import pineapples from Gambia than to the likely consequences of the US trade deficit.

Small company fund managers express worries that entrepreneurs nurtured in Mrs Thatcher's mini-boom will not be able to function in conditions of relative decline. Although the halving of the share price reflects worries about Mr Hughes' exuberance, he at least cut his teeth on recession-ravaged Humberside.

He abandoned his career as a meat technician 17 years ago, raising £5,000 from the sale of his house in Hull to finance his first venture as a freelance reconditioner of decrepit food machinery. He would scout around the factories of the North East in search of gunged up fish-skinners and filleters – an unattractive and yet profitable activity which furnished profits of £896,000 for Hughes Food in the first half of the current year.

He diversified into cold storage, originally as a means to make a profit on Christmas trees bought cheap in January and released on to the market at the next festive season. With 5m cubic feet of storage space at the time of flotation, Hughes serves Humberside's food manufacturers and stores part of the EC food surplus.

When the company came to the market, these were its principal activities. The move into food processing and distribution came only later, with a spate of minor acquisitions culminating in the £5m all-share purchase of Hull-based fish merchants GlenrosePJR in March last year, which quadrupled group turnover. Other activities now include:

Fishing and fish processing. Hughes has recently bought two stern trawlers and intends to buy five more if his plans to fish off Africa and around the Falklands come to fruition. The division is already one of the UK's largest suppliers of frozen cod blocks to food manufacturers.

Construction and development. Hughes bought Hatfield, a Hull-based industrial property developer, to fulfil the group's in-house property requirements.

Mr Hughes sees great promise in the range of chilled, pre-cooked food that will make its debut on the shelves of multiple retailers within the next month. He promises that the fish recipes will be original, tasty and healthy. Within three years, he expects £10m turnover from his Selby factory, without the need for further acquisitions.

"The plan is to build up a national group with pockets of companies related to one another," he says, outlining his plans for the future. If his ambitions are less than specific, he contends that the corresponding flexibility will be an advantage in a changing world.

Clearly, the days of "backing the man" without any assessment of the fundamentals vanished in late October. Yet Mr Hughes must be "one to watch".

David Waller

Property

Played out in the short term

THE STOCK market collapse and the uncertainty that followed dented the hopes of investors in young property companies, although there has been some evidence that the market has been stabilising.

All of the 20 USM property companies, whose prices are quoted daily by the Financial Times and which make up the largest single sector of the market, were trading above their 1987-88 lows by the second half of January.

Their performance has been in line with the property sector generally – that is, they have not been as badly hit by the stock market collapse as some other sectors. In the second half of January 1988, the FT-Actuaries measured the price-earnings ratio of the property sector at 24.36, against 13.36 for the FT 500 Index. Property stock market prices generally were still higher than they had been at the start of 1987.

Still, the downturn of the market has headed off the possibility of more companies coming to the market. As a relatively easy means of acquiring capital, or using paper to fund expansion through portfolio purchase or corporate takeover, the market looks played out, at least in the short term.

Significantly, Citygrove, when looking for funds last December, eschewed an equity issue in favour of a convertible preference share issue to raise £8.2m.

None of this is to suggest that the USM companies will necessarily be badly hurt by the change in market conditions. Most have their development programmes. Others have succeeded in building up portfolios for investment so that they have a steady if undramatic cashflow.

But the growth prospects over the next few months are likely to lie most obviously with companies that have cash facilities in place. While there is no shortage of bank finance available for development, anecdotal evidence is that the banks' interest in projects with an element of fantasy about them has faded.

On the ground, the race for projects and revenue continues. Consider, for example, recent announcements from Citygrove. The company has been nominated by the Chelmsford Borough Council to develop 120,000 square feet of retail warehousing, and has won a British Railways Property Board tender to develop 80,000 square feet of retail warehousing at Reading.

This is no different from last year. The development market remains strong across the retail sector and is selectively strong in the office and industrial sectors. Land prices in the South East may rein in the ambitions of some of the USM companies, but there are growing opportunities in other regions.

What is missing is the fevered quality of the bull market, which reached its height in terms of the indices last July and in terms of buying interest last September when Stanhope Properties, controlled by Stuart Lipton, came to the market at a minimum tender price of 180p a share. Eventually the shares were sold at 250p and rose to 317p, before crashing to 127p and settling at around 180p.

It was not surprising that the market piled in, given its mood at the time and the share that Stanhope has, as one half of Rosehaugh Stanhope, in the Broadgate office development, the biggest in the City of London.

And it had been bold exploitation of the prevailing mood that allowed Randsworth Trust to build up from nothing through a series of acquisitions, financed by the issue of paper, net assets approaching £100m.

As it turned out, it was the companies that had been boldest, or which had a major exposure to the City of London office market, that came out of the market crash the worse. Stanhope's rise and fall was one example, but Randsworth's year low of 80p compared with a high of 301p. Latterly the shares have been just over 100p.

But none of the USM property companies escaped the sudden change in market sentiment. Even the agents and surveyors, de Morgan, Glentree and John D. Wood, suffered, and in earnings

Continued on page 6

Retail boom may be slowing down, but there's –

Strength in niches

THE REWARDS can be greater than on the main market, but then so is the downside. That is often the first point that stockbrokers tell investors who are thinking of taking a punt on the Unlisted Securities Market. And last year their message was vividly illustrated by the performance of the junior market's retailing sector.

Before the October stock market crash, the 18 USM retailers had enjoyed a splendid nine months. Since January 1 the price of their shares had risen, on average, more than fourfold.

The figure is grossly flattered by the inclusion of Acsis Jewellery, which saw its value rise by more than 24 times and was the best performing 'penny share' of the year. But even disregarding Acsis, the shares of USM retailers more than doubled, against a market increase of about 41.5 per cent.

Then came Black Monday – and between October 19 and the end of the year USM retailers suffered far worse than average. While the market as a whole fell about 26 per cent between Black Monday and the end of the year, the USM retailers declined by about 35 per cent on average.

That must have been painful, but shareholders in most of the USM retailers could at least console themselves with the knowledge that they had outperformed the market for the year as a whole. And, with only a handful of exceptions, most share prices were higher at the end of the year than they had been at the start.

However, investors hoping that the same thing may happen again this year should beware. For one thing, analysts fear that the consumer spending boom, which has fuelled the growth of retailing in the last year, is slowing down.

Second, the performance of companies in the sector varied

Over the year, USM retailers beat the market as a whole

considerably last year. For example, Sock Shop saw its shares rise from 125p to 200p, whereas Cecil Gee and French Connection, both retailers, saw their prices fall.

It would be a mistake to see the sector as homogeneous. "You *cannot* generalise about it, because it is so diverse," says Marian MacBryde, analyst at Hoare Govett. "You need to look at each company individually."

Nonetheless, *one* theme unites the majority of the USM retailers – their occupation of a niche position in their markets. This in part helps to explain the sector's strong performance in 1987.

Last year the advantages of niche retailing were to the fore as companies like Sock Shop and Knobs and Knockers, the home accessories company, came to the market with strong trading records. Their admirers were able to extol the virtues of providing consumers with a wide range of choice in single items and of commanding a strong presence in the market place.

The history of the USM, however, provides several examples of how concentrating on one product, or range of products, can present difficulties. The most obvious problem happens when demand for a company's goods declines for economic reasons that it is unable to control.

William Bedford, the antique dealer, saw its performance deteriorate in 1986 after a sharp decline in the number of American tourists visiting the UK, and profits fell from £938,151 to £759,348. Happily its performance improved – pre-tax profits rose 39 per cent in the first half of last year – and the shares ended 1987 at 117p, 10p higher than they had been in January.

Another difficulty arises when big retailers move in to erode a company's niche. Investors thought that Andre de Brett had the mail order market for outsize women's clothing to itself when the company came to the USM in 1982. But de Brett struggled when companies like Great Universal Stores moved in on its patch.

Attempts to diversify – by moving abroad, by opening shops in the UK and by entering the household goods market – produced mixed results. At the end of last year de Brett's shares were at 35p – well below the 60p flotation price of five year's previously.

Prontaprint's diversification away from its successful core business of franchising print shops also proved unhappy. Poppies, a domestic cleaning business, and Fudge Kitchens failed to deliver the profits they had promised, and Prontaprint disposed of both. It still had to report a 74 per cent decline in pre-tax profits for the year to March 1987.

The company recovered sharply in the first of the current year and says full-year results "should show we are back in our stride". The market, however, does not forgive mistakes easily, and Prontaprint's shares finished the year at 88p, above their January level, but well below their flotation price of 138p in June 1985.

For the USM niche companies that have got it right, the rewards are considerable. Consider Miller & Santhouse, the fast growing retail optician whose shares raced from 105p at the time of its flotation less than two years ago to 425p at the end of last year.

Or take heart from Share Drug. Its performance helped shares to rise from their flotation price of 140p in October 1984 to above 300p by mid-October last year. Like every *other company it fell back after* Black Monday, but the 29 per cent decline between October 19 and the end of the year was less severe than most.

Success for retailers on the USM, however, does not necessarily entail being in a niche. Although best known for its jewellery, Asprey is multi-departmental, with 11 different types of stock. The advantage of this approach is that a bad year in one or two lines can be shielded by progress in other areas.

It has increased profitability for each of the six years it has been on the USM. Last year the pre-tax figure was 23 per cent ahead at £13.5m, and shareholders were rewarded with a near 50 per cent rise in their shares, which finished at 270p.

The outstanding success story of the year, however, was Asprey's fellow jeweller, Acsis. At the start of the year there had been little to indicate to investors that the company's star was about to shine as it had just capped five years of disappointing results with first half 1987 pre-tax losses of £480,000.

The company was still reporting losses at the end of 1987, but in the intervening period South African entrepeneur Darryl Phillips had moved in as executive chairman with the intention of taking Acsis into marketing. The shares moved from 9p in January to 240p in October, before falling back to 80p by December 31 following the crash.

That still represented an increase of nearly nine times. Nice investment if you can spot it.

Michael Smith

Motors

From the exotic to the mundane

THREE MOTOR companies joined the USM this year, doubling the size of the sector. Appropriately, they came to the market as the motor industry continued its acceleration out of a long period in the doldrums.

The arrival of both Graham Motor and D C Cook Holdings in July last year highlighted how motor dealers were profiting from a revival in car sales. D C Cook is Britain's largest Nissan distributor; Graham Motor operates franchises for several motor manufacturers, including Jaguar, Ford and Austin Rover, in the North West.

As Bob Barber, of James Capel, explains, the past two years have seen record numbers of new car registrations – 1.88m in 1986 and 2.01m in 1987. "Because manufacturers have been recording such high sales, there has been a reduction in the price war," says Barber. "High volumes also help improve the margins of motor dealers, who tend to have high fixed overheads."

The boom has been reflected in the profits of both companies. D C Cook came to the market on the back of a jump in annual pre-tax profits from £1.8m to £2.5m, a figure it nearly matched at the interim stage this year. As a result, D C Cook's share price has held up well despite the crash. The shares were trading, in late January, at a level not far short of twice their 92p flotation price.

Graham Motor's price has not performed with anything like the vigour of D C Cook's, despite the fact that it too has been increasing profits. It came to the market having grown pre-tax profits from £1.15m to £1.73m; and it has since announced a rise in the interim figures from £892,000 to £1.1m.

Part of the reason for the varying share price performances of the two companies is the differing approach of the management. Graham's management, described by the Philip Ayton of the company's broker BZW, as "cautious and realistic", has already warned that margins may be cut this year as the current shortage of new cars is eased.

Those expectations do seem to be widely shared. "The general consensus," says Capel's Bob Barber, "is that new car registrations will be down in 1988. If there is a downturn, that could herald a return to discounting, and thus be bad news for the motor dealers' margins."

Another factor restricting Graham, says BZW's Ayton, is that the company's profits have been depressed, "because this is a peak year for the company's expenditure on refurbishment." As a result, with Ayton expecting full year profits of £2.05m, Graham's shares are on a prospective p/e of just 8.

That contrasts with D C Cook, which, assuming a jump to £4.7m for the full year, is on a prospective p/e of 15. "Cook has an aggressive management which has already made a couple of good acquisitions," explains Ayton. "In addition, D C Cook is dealing for manufacturers with low market share and new models on the way."

The rest of the sector is an intriguing ragbag of the exotic and the mundane. The glamorous end is represented by March Engineering, the racing car manufacturer.

The company's cars have particularly dominated the Indianapolis 500 – two years ago, every car on the race grid bore the March name. In 1987, the company returned, after six years, to Formula One racing.

But there is more to the company than the racetrack. It has a plastics composites division and is also building up an engineering consultancy.

March came to the market, unusually, following a drop in profits the previous year from £2.09m down to £1.65m. And the company failed to race ahead in the first half of this year – interim profits actually fell slightly from £847,000 to £829,000. The weaker dollar was estimated to have knocked £150,000 off the figures.

Another USM company with motor racing links is Spice, the car parts distribution company, whose chairman Mr Gordon Spice is a racing car driver.

Spice had the embarrassment of having to postpone its flotation plans after it was discovered that the company's financial controller had been convicted for fraud. But since the company eventually joined the market in February 1986, it has scarcely looked back.

In its first year on the market, pre-tax profits jumped 55 per cent to £1.01m and followed that with a 53 per cent increase in interim pre-tax profits this year. And in January the company acquired Alpha Discount Spares, a Bradford-based distributor, for £2.8m. Spice's share price reached a peak of 243p last July, and though it was hit, like every other share, by the crash, it is still around double the flotation price.

Reliant Motor has not had a dramatically successful stay on the USM since it was demerged from Nash Industries in 1981. The company soon had to cut jobs in the recession, but the introduction of the three-wheeled car Rialto helped push the group into pre-tax profits of £208,000 in 1982. It has not yet beaten that figure.

However in the last two years, the company has disposed of its parts operation to Unipart and sold the manufacturing rights of its Scimitar GTE sporting estate car and it was able to report a return to interim pre-tax profits in the first half of this year.

BTS is a bit of an odd man out – it is in the unromantic business of making remoulded tyres and replacement batteries. The company was founded by Horace Stote in 1962 and is now run by his two sons, Alan and Roger. It joined the market in 1985 on the back of a year and a half of profits growth, following a slump in the early 1980s.

It managed to beat its flotation profits forecast in the first year; but profits were sluggish in 1985-6 thanks to the costs of occupying a new warehouse, and they fell in 1986-7 to £511,000 after the closure of a tyre waste recycling plant in Wolverhampton. But analysts are looking for a bounce-back to £750,000 pre-tax this year, and it is just possible that BTS could be the dark horse to watch in 1988.

Philip Coggan

The oil sector

Too costly, too risky

THE OIL sector has perhaps been the USM's greatest disappointment.

When the market was first conceived, it was expected to become an ideal home for independent oil companies intent on exploiting the richness of the North Sea. The USM, it was argued, would give young oil companies a broad channel through which they could raise equity finance, and allow investors to join in the rush for North Sea oil.

Unfortunately, things have not worked out that way. The capitalisation of the oil sector on the USM today is little greater than it was in the early days, when more than a quarter of the market's members were oil companies.

Some seven years later there are only a dozen oil companies quoted on the USM. Of these, all but two posted losses in their last year for which they have reported, and more than half are capitalised at less than £7m.

Furthermore, none of the survivors could be described as North Sea exploration companies – indeed, one has to look hard to find any that have anything to do with the North Sea at all. Even the inappropriately named North Sea and General announced last year that its North Sea assets, which include valuable stakes in the giant Forties, Claymore and Emerald fields, were for sale.

The explanation has not merely been that many of these little companies have not succeeded in finding oil in the North Sea (although this has more often than not been the case). More important has been the fact that the high costs and high risks of looking for oil in the North Sea have increasingly proved too much for small companies.

While oil prices were expected to go on rising indefinitely, small companies might have been encouraged by the huge profits to be made from finding oil. But the collapse in the oil price has permanently altered the balance, and oil companies below a certain size have been struggling to reduce their exposure to the North Sea.

Pict Petroleum, which until recently was predominantly a North Sea company, last year swapped with Elf most of its North Sea exploration acreage in return for a portfolio of onshore acreage. It argued that the costs of looking for oil onshore are much lower and therefore better suited to a modestly sized group.

Meanwhile, some of the better performing "oil" companies on the USM have started to get out of oil altogether. By far the most successful has been Cluff Oil, which was among the first companies to join the market. After a whole series of ambitious and potentially ruinous exploration projects – including an expensive and abortive hunt for oil in China – Cluff is rapidly turning into a successful gold exploration company.

Indeed, with several gold mines entering production in Zimbabwe, Cluff is now worth almost as much as the rest of the sector put together, and is hatching ambitious plans for a big acquisition in the US.

It is not only the pure oil companies that have been attempting to diversify. As a result of chronic overcapacity in the industry, the oil service companies have been suffering almost as badly as the oil companies themselves. They too have been spreading their wings.

Oilfield Inspection Services, for example, is moving into service for the power generation market in the UK, and is also contemplating a move into providing services for the pharmaceutical industry.

The balance of Oilfield Inspection Services, however, has been less in need of correction than that of Jebsens Drilling, which has been one of the unhappiest USM companies. In every year since it joined the market in 1982, its turnover has fallen and profits have been transformed into ever deepening losses.

Last year Jebsens announced that it was looking for buyers for its three long-term unemployed drilling vessels. Once it had found them, the company was likely to be wound up. However, shareholders, who stood to have lost everything from an investment which was once worth as much as £3 a share, now may be able to salvage something after all. Jebsens has recently reached an agreement whereby Midland and Scottish, a privately owned emerging North Sea group, would acquire a controlling interest.

Other companies have also emerged stronger from the crash in oil prices – by dint of having found a wealthy backer. Pict Petroleum reversed into the arms of the US oil group, Amerada Hess, while North Sea and General is now a 52 per cent owned subsidiary of Apex, a quoted Australian company.

It could be argued that, even in the beginning, the sector had little to do with the North Sea. Most of the remaining companies are small oil exploration and production companies based in the US. If anything, these have proved even less attractive to investors than their UK counterparts. They have attracted bad publicity by giving over-optimistic estimates of their oil reserves; they have mostly failed to make any new discoveries, and one or two have even alienated investors further by getting involved in law suits.

Moreover, most of the five or so US companies on the USM found themselves just as badly placed as UK companies when the price of oil fell in 1986, and now few hold out any hope of ever becoming the get-rich-quick investments they seemed at the time.

Some of these companies are also moving out of oil: Sapphire Petroleum which, with immaculately bad timing, joined the market just before the oil crash, is now planning an unlikely sounding merger with a company that provides payroll services to advertising, film and TV companies in the US.

However, there is just a possibility that all is not over for the oil sector on the USM. After a gap of two and half years, the sector welcomed its first newcomer last month, Firstland Oil and Gas – yet another US exploration and production company.

The appetite of investors for the new stock has not yet been subject to any stringent test, as Firstland raised no money on its introduction to the market. However, with an initial valuation of over £10m, at the very least its arrival will have the immediate effect of raising the sector's flagging capitalisation.

Lucy Kellaway

Getting back on the high wire

Continued from page 1

19 and December 31.

Much of the boom-induced liquidity disappeared. In the fourth quarter, the average number of USM bargains per day fell by more than half to 2,361, and the average daily value dropped by over a third to £24.75m. Third Market turnover dropped from nearly 5,000 deals in September to just 1,343 in the whole of December; on one day, just 20 bargains were conducted.

As the USM enters its eighth year and the Third Market its second, the junior tiers are still faced with a number of problems. "The first is liquidity," says Andrew Holland of County Securities. "USM turnover had dropped to £10m a day by December. The second is the effect that the crash has had on companies' ability to make use of their paper for acquisitions."

If acquisitions by USM companies are more difficult, explains Holland, then some of the go-ahead stocks will be particularly affected. "They won't be able to grow earnings through acquisition," he says, "and their premium ratings may quickly disappear."

The positive side for 1988, says Holland, may be that inactivity and sluggish share performance on the USM will encourage main markets to step in and acquire their junior brethren.

The Hoare Govett team doubts whether the USM can maintain the 13 per cent premium it currently holds over the main market; in addition, the team believes that many investors may be concerned at the reduced marketability of USM stocks. Accordingly, those investors who moved into the USM at the height of the bull market may well use the opportunity of any upturn in the market to sell out. Accordingly, Hoare Govett expects the second tier to underperform the main market in 1988.

One thing that is not in doubt, however, is the continued existence of the USM. The seven years since 1980 have seen significant ups and downs, but there are few now who would say that the market has not been a success.

The property sector

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ings terms they have to fear only a slowing down of activity on the direct property market.

The immediate market future looks uncertain. The first point here is that USM property companies are likely to move in line with the sector. But that needs some qualification. There has recently been a tendency for investors to favour what the brokers call defensive stocks – companies with a very broad and rock-solid asset base, like Land Securities, MEPC, Hammerson, British Land and Slough Estates. USM companies can and do have solid balance sheets, but, by definition, their asset base is more limited.

There has, however, been a tendency among some USM companies to seek alliances and joint ventures with larger groups and the institutions. While this approach eliminates some of the potential rewards, it spreads the risks. This is important for the market, because it suggests solidity. At the same time, it makes easier the raising of finance.

Brookmount, for example, is linked with Trafalgar House in a joint venture at Brooklands. It has bought properties from Trafalgar House, and a Trafalgar House director has been nominated to the Brookmount board. Rivlin, into which Mr Martin Landau has reversed City Merchant Developers, is undertaking its Royal Mint development, just outside the eastern boundary of the City of London, in a financial alliance with an institution.

The links between Rosehaugh and Stanhope extend beyond Broadgate to projects in London Docklands, Kings Cross and elsewhere. The partnership is based broadly on Stanhope's design and project management skills and on Rosehaugh's financial expertise.

In late January, Capital and Regional Properties set up a joint company with the Hanover Property Unit Trust to buy a portfolio of properties in Victoria for £12.75m, using a mixture of Hanover funds and bank finance.

Paul Cheeseright

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